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COMMERCE AND THE EMPIRE

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BY

EDWARD PULSFORD

SENATOR FOR NEW SOUTH WALES IN
THE COMMONWEALTH PARLIAMENT

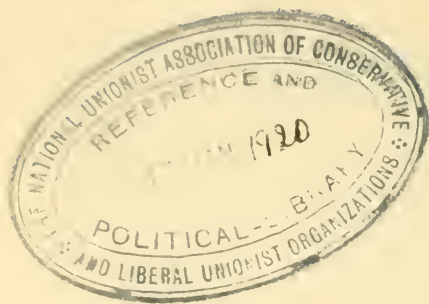
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PREFACE.

LIBRARY SETS
AFTER working many years for Free Trade in Australia I feel emboldened to make an effort in the wider field of the Empire. The time has arrived when, in my judgment, Free Traders in all the self-governing Colonies should make an effort to bring their respective parts of the Empire into line with British fiscal policy. The task is by no means so difficult as some people think; race sympathy is making it easier every year; and the very need of revenue makes the task less instead of more difficult, since it is easier to obtain revenue without than it is with restriction.

DEC 16 1949
The necessity of dealing with the preferential phase of the subject has caused me to hurry the publishing, and consequently the book is less complete in many respects than I intended. The controversy with regard to preferential duties will have one good result: it will lead to a better general knowledge of the whole subject, and will, therefore, pave the way for the Self-Governing Colonies, one after another, to raise the Free Trade flag. A British Free Trade Empire is a noble object for which to fight.

HARDING
During a period of about nine months, in 1900-1901, immediately preceding the first Federal Election in the Australian Commonwealth, I published a weekly paper, under the title of *Our Country*, dealing solely with the fiscal controversy. The success of that publication proves that the cause of Free Trade is thoroughly alive in Australia, and that its adherents are prepared at all times to fight the policy of

restriction in whatever guise, or under whatever name, or by whatever person it may be presented.

The manufacturing interest is the one that is specially protected in Australia ; under a similar policy in the United Kingdom it would be the Agricultural interest that would be specially protected. The controversy in Australia, therefore, presents points of view somewhat different from those in Great Britain, and consequently has an interest of its own.

EDWARD PULSFORD

SYDNEY, *September*, 1903.

CONTENTS.

CHAPTER	PAGE
I.—A CHAPTER OF AUSTRALIAN HISTORY	1
II.—SOME DEFINITIONS	5
III.—AGGREGATION	6
IV.—STEAM AND ELECTRICITY	19
V.—ALLEGED DECLINE OF BRITISH WEALTH AND COMMERCE	22
VI.—BRITISH EXPORTS	24
VII.—THE EMPIRE VIEW OF IMPORT AND EXPORT RETURNS	38
VIII.—BRITISH SHIPPING	42
IX.—RE-EXPORTS IN GREAT BRITAIN	50
X.—GREAT BRITAIN AND THE SELF-GOVERNING COLONIES	52
XI.—THE RELATIVE EXTENT OF BRITISH COMMERCE	75
XII.—THE RELATIVE VALUE OF COLONIAL TRADE	80
XIII.—FINANCE AND COMMERCE	86
XIV.—THE PREFERENTIAL TOWER OF BABEL	90
XV.—COLONIAL PRODUCTS AND PREFERENTIAL TREATMENT	94
XVI.—THE COLONIAL CONFERENCE OF 1902	103
XVII.—“PREFERENCE”—FURTHER ADVOCACY	112
XVIII.—CANADA: HER TARIFF PREFERENCE	115
XIX.—PREFERENTIAL POSSIBILITIES IN AUSTRALIA AND NEW ZEALAND	119
XX.—THE SOUTH AFRICAN PREFERENTIAL TARIFF	123
XXI.—THE BLACK FLAG OF PROHIBITION	124
XXII.—BRITISH OPEN PORTS AND FOREIGN COUNTRIES	125
XXIII.—COMING DEVELOPMENTS AND CHANGES	127
XXIV.—THE UNITED STATES	133
XXV.—“QUIET FACTS”	137
XXVI.—THE HOPES OF COBDEN <i>versus</i> THE FEARS OF ADAM SMITH	139
XXVII.—TARIFF JINGOISM	140
XXVIII.—THE POLITICAL AARON’S ROD	142
XXIX.—A CUSTOMS DUTY: WHEN IS IT PROTECTIVE?	144
XXX.—TAXING—SOMEBODY ELSE	147

CHAPTER	PAGE
XXXI.—SUGAR	150
XXXII.—THE UNITED EMPIRE TRADE LEAGUE	152
XXXIII.—THE USE AND ABUSE OF STATISTICS	155
XXXIV.—TWO COLONIAL SYSTEMS	159
XXXV.—BRITISH COUNTRIES—OLD AND NEW	160
XXXVI.—CRUMBS OF CONTROVERSY	161

COMMERCE AND THE EMPIRE.

"We waft good will to every sphere.
The links of love to-day are thrown
From sea to sea—from zone to zone."—*Kendall*.



CHAPTER I.

A CHAPTER OF AUSTRALIAN HISTORY.

WHILST for many years scarce a ripple stirred the placid current of commercial life in the United Kingdom, many a fierce political battle was fought in the main Australian Colonies—now the States—of New South Wales and Victoria as to the policy under which commerce was to be conducted. In Victoria the party which believed that expansion of prosperity results from restriction of commerce early won ascendancy, and in the sixties succeeded in carrying a restrictive tariff. From that period to the present Victoria has always been the stronghold of Australian restriction. On the other hand, New South Wales has always been true to the policy of freedom of trade; attacks on this policy have been made from time to time, but a general election has never failed to sweep the danger away.

Naturally the free trade cause found powerful support in the example, the legislation, and the faith of the Motherland. It has been and still is the hope and determination of the free traders of Australia to establish in the Southern world a great centre of commercial freedom, after the pattern of that which in the Northern world "stands four-square to all the winds that blow." Was it—is it—too much to hope that when once a great self-governing section of the Empire, like Australia, endorses the policy of the United Kingdom by adopting it, that gradually the other self-governing sections will follow the example, till at last the world sees the whole Empire unitedly working out its destiny on those high and beneficent lines which are embodied in the principles of commercial freedom?

The Commonwealth of Australia, the union of the whole six States—previously the Colonies of Australia—came into existence on the first day of 1901. The Governor-General had to select an Australian statesman to form the first Ministry, and he ultimately selected the Right Hon.—now Sir—Edmund Barton, who is a restrictionist. The election for the Senate and the House of Representatives took place a few months later. Both Houses met in the month of May. In

October, the same year, the Federal tariff was introduced into the House of Representatives; it was constructed on purely restrictionist lines tempered only by revenue necessities. A severe party fight at once ensued, which did not terminate till September of the following year. In this fight the free traders gained victory after victory, first in the House of Representatives and then in the Senate. When the tariff finally emerged from the fight it was wonderfully toned down, though still distinctively restrictionist. The free traders are eager for the next electoral campaign, but the restrictionists deprecate a renewal of the strife, a divergence of view which carries with it its own explanation. At latest the election must take place early in 1904, but it will probably be held in December, 1903, and no one in Australia will be surprised if the reins of power then come into the hands of the free traders, under the leadership of the Right Hon. G. H. Reid, who, it may be explained in passing, would have been entitled to the offer of the first Federal Premiership had he remained Premier of New South Wales, the Mother State. An unexpected vote terminated a five years' occupancy of that position very shortly before the Federal appointment had to be made, and destroyed at the same time Mr. Reid's right to the higher office.

From what has been said of the course of events in Australia it will be clear that the subject of tariff policy has been closely studied and keenly debated. It will also be clear that in the keen fight which has raged in Australia, close attention must naturally have been paid to all that transpired in other countries; especially was it natural that the utterances of public men in the United Kingdom in regard to tariff policy should be closely watched. During recent years every word spoken, or press statement published, which appeared to indicate a tendency towards restriction, a lessened faith in freedom as applied to commerce, in the Motherland, has been eagerly seized on by the Australian restrictionist party to strengthen their cause and to restrict still further all external trade, including that of the Motherland with Australia.

Yes, there is no doubt that certain public men in the United Kingdom have done a good deal to play into the hands of those who think it to be good policy for Australia to exclude the goods of other lands, of which the United Kingdom itself is the one principally concerned. Talk about "Fair Trade" and about "Preferential Trade" has all along, and most naturally, been accepted by the restrictionist party as indicating the first steps towards a return to the old fiscal conditions. Who can blame the party for using all weapons that come to hand, and who can be surprised if there are many who sorrow when they think of the source of supply of some of these weapons!

In 1896 Mr. Lowles, a member of the House of Commons, visited Australia in the interests of "Preferential," or, as it is better described, penalised trade. When he spoke in Sydney his platform was graced by the presence of none but restrictionists; not one free trader took a seat beside him. The three Sydney free trade papers all repudiated his mission; the one Sydney restrictionist paper

said that the mission meant that England was tired of free trade, adding that for New South Wales "a protective policy is urgently required against all the world, including Great Britain." The *Melbourne Age*, by far the most important organ of the restrictionist party in Australia, referring to Mr. Lowles's visit, claimed that it represented the failure of free trade in England. Shortly afterwards the same paper, dealing with a speech by Mr. Chamberlain, said that that gentleman

may rest assured that the people of Victoria have no intention of jeopardising their future or subordinating their interests to those of Manchester or Birmingham or Bombay.

It is clear enough that all the talk and agitation about "Preferential Trade" is but grist to the restrictionist mills, and it is time his fact was recognised. Those who in the United Kingdom are the cause of all this are but throwing out arguments which, like the Australian native weapon, the boomerang, return with injurious results to the United Kingdom itself, whence they were thrown.

The developments in England this year, 1903, have carried delight and encouragement into all Australian restrictionist circles. "England's eyes open—Preferential Trade" is the heading of a restrictionist pamphlet, which is being issued in preparation for the coming general election. The following is an extract from the *Melbourne Age* of August 10th :—

The great upheaval against free trade in England—its last stronghold—is a mighty object lesson in Australia. The Chamberlain policy is a loud proclamation that Cobdenism has failed in the British Isles, as everywhere else, and whatever may be the outcome of the approaching protectionist campaign in England, it cannot fail to clinch the determination of this progressive Commonwealth against any sort of retrogression into the discredited fiscal delusions, which have been condemned in every country upon earth.

Perhaps the Australian papers which the most keenly rejoice over the movement in England are those which during the late war were distinctly pro-Boer. One of them* published a cartoon founded on the death of Cæsar. The Australian free trade leader, Mr. Reid, represents the dying Cæsar; Mr. Chamberlain represents Brutus. "Et tu, Brute! Joseph Chamberlain has abandoned the free trade idea and declared for an Imperial Protective Tariff."

Another pro-Boer paper † contained the following :—

Chamberlain's speech has been the greatest blow English free traders have ever received, and the leading free traders of New South Wales are reeling under it.

The free traders of Australia are so accustomed to every incident in the controversy being represented as meaning the triumph of restriction that they pay little heed to these assertions. It is well, however, that those persons in Great Britain who are responsible should understand that they are strengthening the tariff walls of Australia, and playing right into the hands of the anti-British.

* *The Bulletin*, June 27th.

† *The Catholic Press*, June 4th.

A work entitled "The Coming Reaction" has recently been published, in the course of which the author claims that the position of Great Britain in textile manufactures is due to restriction in past years. The Australian organ of the restrictionist party—the *Age*—referring to this, says it is a lesson for Australia, adding :—

If we were to allow our markets to become the undefended prey of all the world, how could it be possible that the raw material of the great Australian pastures could ever hope to be manufactured on the spot? We are a wool producing nation. We ought to be a cloth manufacturing nation for all those countries that cannot produce wool. If we were to copy English policy (of the past), we might yet become so.

The "Legislator" who wrote "The Coming Reaction" is by no means working in a direction likely to promote a demand for British woollens.

Whilst Australian free traders are accustomed to the style of the local restrictionist, and expect nothing different; they do not think a statement such as the following should appear in an English review :—

The importance of the hostility expressed by the so-called free trade press of the Australian colonies should not be over-rated. These newspapers and the trading interests they represent have completely failed to convince the Commonwealth Parliament of the wisdom of their views. They are Cobdenite extremists crying in a wilderness of protection; and though they may represent important mercantile interests at Sydney, they in no sense speak for Australian sentiment as a whole.*

The most kindly thing that can be said of the term "*so-called*" as applied to the "free trade press of the Australian colonies" is that it is written in complete ignorance. There are seven morning papers, in all, published in Sydney, Melbourne, Brisbane, and Adelaide, and of these five are free trade, not of the milk-and-water kind, but straight out and uncompromising. Each one is edited with ability, and taken altogether it would be difficult in any part of the British dominions to find five papers that could be honestly called superior. Every sentence in the quotation is a misrepresentation. To speak of "crying in a wilderness of protection" infers that Australia is wholly protectionist, yet any political infant knows that in the Mother State, New South Wales, containing more than a third of the whole population of the Commonwealth, free trade is distinctly in the ascendant, and has never yet been beaten at the polls. The youngest State, Western Australia, at the Federal election returned ten free traders out of the eleven members to which it is entitled in the two Houses. So much for "the wilderness of protection."

Then, as to "Australian sentiment as a whole," it can be affirmed positively that the Australian free traders as a whole regret and oppose the preferential movement because they recognise nothing but restriction in it, and that the Australian restrictionists as a whole rejoice in it, because they recognise in it a blow to free trade, and support to their own policy.

* *National Review*, July, page 368.

CHAPTER II.

SOME DEFINITIONS.

It will be observed that the writer uses the term "restriction" rather than that of "protection." The reason for this is that as the policy in question restricts the operations of many and only protects the operations of few, the word "restriction" is more appropriate. The word "protection," as generally used, is distinctly misleading.

The term "free trade" is used to mean trade free from all taxation except such as may be needful for strictly revenue purposes, and the term "free trader" to mean a person who insists on the tariff being for revenue only, and also on the total revenue so collected being as small as possible. The terms "high tariff" and "low tariff" are looked upon as misleading, and therefore objectionable. Three hundred per cent. is certainly "high," but levied on tobacco, and so that every penny paid by the consumer goes into the public treasury, it is defensible, provided the revenue be wanted; whilst 10 per cent. is certainly "low"; but levied on any commodity, so that the money paid by the consumer goes wholly or partially into private pockets instead of into the public treasury, the tax is quite indefensible. The free trader recognises that all duties, in proportion to their amount, increase the cost of the commodities on which they are levied; that as the cost increases, the trade decreases; and that as trade decreases, the employment of labour and the profits of capital are correspondingly lessened. Consequently he watches with a very jealous eye the imposition of a duty even for the sole benefit of the public treasury, and he can never consent to the imposition of a duty the product of which goes wholly or partially into other channels.

The term "penalised trade" is used instead of "preferential trade," and "penalty" instead of "preference," because the volume of trade and the number of people who would suffer exceed the volume of trade and the number of people who would benefit by any system of differential duties, and, therefore, as far as a term can convey any sense of the working of a policy, the larger consequences, and not the smaller, should be embodied in the name by which that policy is known.

CHAPTER III.

AGGREGATION—INCREASED AND INCREASING FREEDOM OF TRADE.

STEAM and electricity have done something to destroy the old-fashioned virtue of patience. Man did not invent these powers; since time began steam has always issued from hot water, and electricity has always been known to flash through the heavens. It took man thousands of years to recognise and to harness to his own use these latent powers of Nature. To-day, now that steam and electricity are his servants, he appears to think that he must emulate them and always be in a hurry. Haste! the pressure of life! herein lie some of the most potent dangers of the twentieth century. Seed-time and harvest are still separate seasons, but man seeks to sow and to reap on the self-same day, and too often all the knowledge he desires, or gives himself time to acquire, is the latest news of the political weathercock. But it is well, after all, to stop to think and study. And the subject of what has been the greatest influence at work in this world of ours for the last two or three hundred years will well repay studious investigation.

The greatest influence has undoubtedly been, and is to-day, the movement for aggregation of interests: aggregation *versus* segregation. It took man nearly as long to discover the power that lay in aggregation as it took him to discover the powers that lay in steam and electricity; but the selfish and the segregative instinct had to be fought, and fought everywhere, to make progress possible. Aggregation has its first and most elementary example in the family. Then follow the local or parochial aggregation; the provincial aggregation; the national aggregation; the racial aggregation; and, finally, the world aggregation. "Age of progress," "prosperity growing," and similar expressions, are heard on all sides. "Splendid result of the United States and of Germany being each more or less segregated from other nations." Well, segregation is the death principle, aggregation is the life principle, therefore neither the United States nor Germany has grown and prospered because it was segregated from other nations, but both have grown and prospered because of the ever-increasing aggregation within their own wide borders.

Wherever it is sought to bring into force this principle of aggregation of interests there is sure to be opposition, more or less keen, from those who believe—often honestly believe—in segregation as a better policy. Yet a careful study of the world's history will make it abundantly clear that progress has always been associated with, and has resulted from, aggregation. Take the case of the United Kingdom first of all. In no other instance among the nations of Europe was

the principle of segregation so successfully fought as in the United Kingdom. Long before what is called the free trade era arrived, internal freedom of trade had been secured, not only within England, Scotland, Wales, and Ireland separately, but within the whole of them as one aggregation. The United Kingdom of to-day would not have existed, would not have been a possibility, if the four countries had been separated each one from the others by a separate and opposing tariff, and if this segregation had further kept the different countries apart. A very competent writer—McCulloch—says :—

The freedom of internal industry has ever since (1624) been vigilantly protected; full scope has been given the principle of competition; the whole kingdom has been subjected to the same equal law; no obstacles have been thrown in the way of the freest transfer of commodities from one country or place to another; the home trade has been perfectly unfettered; and though the public have not been supplied with commodities at so low a price as they might have obtained them for had there been no restrictions on foreign commerce, they have obtained them at the lowest price that would suffice to pay the home producers the cost of producing and bringing them to market. It is to this freedom that the comparatively flourishing state of industry in Great Britain is mainly to be ascribed.

In 1624 the well-known statute of James I. declared that monopolies of every description were "altogether contrary to the laws of this realm, void and of none effect." In this was heard the voice of a free people. It indicated a spirit and a policy under which the United Kingdom—in comparison with any other country—greatly prospered. There was a time when goods passing between British cities like London, York and Bristol were subjected to taxation as to-day they might be between London and New York, or Hamburg. But these internal restrictions were thrown off mostly centuries ago; centuries, in fact, before the corresponding restrictions, the segregating influences, were thrown off in Europe.

The United States are claimed as a great triumph for segregative policy. Yet if there be any country in this world which clearly has advanced by leaps and bounds through a policy of aggregation, that country is the United States. This has been recognised and well put by Carnegie in his work "Triumphant Democracy":—

The Mississippi and its tributaries traverse the great Western basin, a million and a quarter square miles in extent, and furnish an internal navigable system of twenty thousand miles. A steamer starting from Pittsburg in Pennsylvania, four hundred and fifty miles inland from New York, and two thousand from the mouth of the Mississippi, passing through these water highways, and returning to its starting-place at the smoky metropolis of iron and steel, will sail a distance much greater than round the world. Nor will it in all its course be stopped by any Government official, or be taxed by any tariff. The flag it carries will ensure free passage for ship and cargo unimpeded by any fiscal charge whatever, for the whole continent enjoys the blessings of absolute freedom of intercourse among its citizens. In estimating the influences which promote the consolidation of the people, much weight must be given to this cause. Fifty-six millions of people [now over eighty millions], occupying an area which includes climatic differences so great that everything necessary for the wants of man can readily be produced, exchange their products without inspection or charge. Truly, here is the most magnificent exhibition of free trade which the world has ever seen. It would be difficult to

set bounds to the beneficial effects of the wise provision of the rational constitution which guarantees to every member of the vast confederacy the blessings of unrestricted commercial intercourse.

Yes ; that half a hundred states should be aggregated is magnificent indeed. If the segregative policy had been supreme internally it would have taken generations for these states to have obtained even a puny existence. The authors of the United States constitution were wise when, by Article 1, Section 8, they expressly declared that "All duties, imposts, and excises shall be uniform throughout the United States." This provision, ensuring as it does perfect freedom of trade and intercourse throughout the whole of this vast country, is probably worth, says one writer, more in practical value than any other provision in the constitution, and it cannot be forgotten that it was the spirit and policy of segregation so astoundingly displayed by the Motherland to her own offspring that drove the American colonies into rebellion. A century ago the United States acquired Louisiana by purchase from France, and afterwards by war acquired Texas from Mexico. These acquisitions, which meant more than the names of the states at present indicate, opened the way for development, for the grand policy of internal aggregation, right through to the waters of the Pacific.

It is in Germany, perhaps, that it is most easy to trace, first, the evil of segregation, and second, the good of aggregation. Civilisation is probably older in Germany than in England, but development has been infinitely slower. Surrounded by other nations, the necessity for aggregating all German interests was clear enough, imperative enough. But not till well into the nineteenth century was this necessity heeded. For generation after generation, century after century, segregation was the order of the day. Where progress was made it was made by some limited aggregation. The Hanscatic League was the earliest of these limited aggregations. It included Hamburg, Bremen, Lubeck, some other North German ports, and some ports outside Germany. The success of this league was remarkable, and in the fourteenth century it exercised great power throughout Europe. Had the union of Germany taken place in that century, and included the German cities of the league, the German Empire would probably at once have dominated Europe and grown rapidly in population and wealth.

The German Empire of to day is the aggregation of more than thirty separate governments which existed at the beginning of the nineteenth century. Each with its own tariff and its own set of customs officers, each living a segregated existence, and fearing above all things that aggregation which alone could lift its people to a higher plane of national life. The poverty of the Germans in those days was something deplorable, but the poorer they were the more deadly seemed their hatred of trade with one another. State after state prohibited the admission into their midst of goods from sister states, and indeed the internal trade of Germany was only carried on subject to such restrictions as to-day are only known of between countries independent one of another.

It is not needful to detail the various stages by which German aggregation was brought about, it is not needful even to load up this

page with the names of more than thirty separate tariffs that were wiped out of existence. A few small states first of all united; then others united; after which the German Customs Union, or Zollverein, was formed. Though still an incomplete Germany the aggregation had become great and strong, and after the Franco-German war all sections of Germany came together, and that powerful aggregation, the German Empire, was complete. Long may it prosper and soon may it recognise that the principle of aggregation which has been so successful internally will win yet more triumphs when applied to its external commerce.

Writing in 1841, long before the Zollverein reached its full magnitude, Macgregor said * :—

It must now be evident to all that the spirit and object of this confederation has been to unite and strengthen Germany as one great nation, by throwing down those barricades of material warfare, and of international intercourse—the numerous lines of customs and customs officers, which previously belted every large and petty state in Germany, and the removal of which has laid open to an uninterrupted intercourse from the frontiers of France and Belgium to those of Austria and Russia, from the Alps to the Baltic. The states have therefore established a free trade among themselves. The commodities of the one are interchanged for those of the other without the payment of duties; and more than all, the free opportunity of interchanging ideas and of receiving intelligence is afforded and promoted, when passing to and fro, for the purpose of interchanging commodities, all these circumstances constituting the greatest material, moral, and civilised blessings ever enjoyed by the German people.

Yes, in their increasing aggregation lay the seeds of the future greatness of Germany. In McCulloch's "Dictionary of Commerce" the article on the Zollverein concludes as follows :—

We have little doubt, should peace be preserved, that the advantages of which the Zollverein must be productive, will be so many and so great, that it will lay the foundation of a lasting intercourse, of which we can neither foresee the extent nor the beneficial influence.

These quotations will show that by thoughtful observers the expansion of Germany which has taken place was foreseen; was predicted as the natural result of the internal aggregation which, it may be remarked, took some sixty years to bring to full maturity. To-day some people are found shutting their eyes to the great fact of German aggregation, and arguing that the policy of segregation, which Germany now only uses externally, is the main cause of her growth.

The past century was remarkable for the sweeping out of tens of thousands of miles of political boundaries. You may move commodities wherever you choose within a political boundary, and no one troubles his head about them, but send them across a political boundary and the prophets of evil fall on you and denounce you as an enemy of your race. Let that political boundary line be removed and you may then expect to be well spoken of for doing that for which you had previously been denounced. The great aggregative movements of the past century have, therefore, had wonderful results; they have made possible the trade and commerce of to-day; the trade and commerce which to-day gives

* "Commercial Tariffs," Part V., p. 7.

food and clothing, hearth and home to extra millions. The sweeping out of political boundaries and with them of separate tariffs, the failure of segregation, made the nineteenth century noted for an almost continuous advance for free trade principles. If you want to know what has been done and the value of it all, put back all those boundary lines, reimpose all those tariffs, re-establish all those lines of custom houses, and think out the results !

Italy—well, there was a time, and not so long since either, when the Italy of to-day was divided into the Lombardo-Venetian Kingdom ; the Kingdom of Sardinia ; the Grand Duchy of Tuscany ; the Roman States ; and the Kingdom of the two Sicilies, and some of these divisions were again politically subdivided. To-day one country, one tariff, one political and commercial aggregation.

France has a great history. Centuries before either Germany or even the United Kingdom became aggregated, France was more or less one country and enjoyed the blessings that follow aggregation of interests over a wide area. France was great even in the thirteenth century, and that greatness could never have been won had the country been divided against itself as Germany was and remained for centuries. It was the greatness that came from aggregation. In a notice of the life of Colbert * the great restrictionist, the following appears :—

With regard to international commerce Colbert was unfortunate in not being in advance of his age ; the tariffs he published were protective to an extreme. The interests of internal commerce were, however, wisely consulted. Unable to abolish the duties on the passage of goods from province to province, he did what he could to induce the provinces to equalise them. The roads and canals were improved. The great canal of Languedoc was planned and constructed by Riquet under his patronage.

This indicates that even in France the internal aggregation was not perfect in the seventeenth century, but there is no doubt that the position generally in that country in comparison with Germany was as has been stated.

The Dominion of Canada has arisen, the aggregation of several colonies ; the Commonwealth of Australia has arisen, the aggregation in another part of the world of several other colonies. The question may be asked, and it is a very interesting one, whether, after all, in these aggregations there may not be some triumph of segregation in the matter—that of commerce—which is here being specially dealt with. The reply must be in the affirmative. Take the State of New South Wales. The aggregation of the Australian States gives New South Wales the run of the Australian markets, but the fact of the Australian Commonwealth having adopted a segregative tariff now limits the power of buying from the outside world which New South Wales previously enjoyed. But the freedom of access to adjoining markets is now won for as long as the Commonwealth endures, and must become more valuable every year ; as to the policy of the Commonwealth tariff, that may be altered, and the lost liberty of buying be regained, after any general election. If the case of New South Wales be taken alone it

* "Encyclopædia Britannica."

must be admitted that the cause of segregation has won something, but if, on the other hand, the Commonwealth of Australia as a whole be taken, it must equally be admitted that the cause of aggregation has won more. Human nature has to be considered, human nature has to be dealt with. Once on the low level, once thoroughly given up to segregation in a very small community, the closer and the more constant are the appeals to the selfish instinct, and the more hopeless is the outlook. On the other hand, once on a higher level with aggregation after aggregation obtained, the brighter becomes the outlook, because appeals to selfish instinct have less power, they do not touch so closely. The sweeping away of thousands of miles of political boundaries, the substitution of a comparatively few big countries for numberless little ones, have allowed a vast increase in the trade of the world which otherwise would have been impossible. The enormous strides the world has taken in the path of free trade during the past century are really neither known nor appreciated as they should be. Lovers of segregation are apparently very easily pleased; the shadow satisfies them, even when the substance is falling from their grasp. If the whole world, with the exception of say Patagonia, were aggregated under one government, and its tariff consisted of one triumphant segregation line, "Goods prohibited from Patagonia," the great prosperity of the world would still be confidently attributed to the glorious policy of segregation *alias* protection, though in fact the said policy would be as dead as Julius Cæsar. Tariffs by the dozen have disappeared, custom houses and officers by the hundred and the thousand have gone for ever; prosperity has grown, and as aggregation has increased and segregation decreased, the lovers of segregation cheer themselves by claiming the world's better days as their work.

The public are asked to believe that the markets of the world are gradually being closed to British goods; that trade is not becoming more but less free. Yet one thing is quite certain, the tariffs of the world are not so antagonistic to the United Kingdom as they were in the years 1840-50, when restriction was boldly thrown overboard. It may even be advanced with a great deal of truth that the financial position of many countries compels them to hold in check their otherwise keen wishes to restrict importations. During the past half century expenditure has rapidly increased in most countries, and in consequence but few of them are at liberty to do what they would like with their tariffs—they must look to their tariffs for revenue. This is thoroughly recognised by the restrictionist financiers of Australia, who have even in consequence claimed sympathy from both sides; from their followers because they restricted importation as much as the financial position permitted; from their opponents because the tariff was largely framed on revenue, instead of restrictionist lines. Whilst this is undoubtedly the position as regards important British communities, like Australia and New Zealand, it is also most certainly the position in a large number of foreign countries. They must keep duties up for revenue and they must keep duties down for revenue; that is, the need of revenue compels the continuance of fairly high rates, and the same necessity compels the keeping of the rates low

enough to permit of importations. There is no escaping from the obvious truth of this contention.

Then there seems a strange want of logic in the talk about the United Kingdom being driven by adverse tariffs out of certain markets, and of the same markets being captured by Germany or the United States. It seems reasonable to expect that the adverse tariff that would drive the United Kingdom out of a certain market would at the same time exclude Germany and the United States so far as regards the class of commodities specially exported by the United Kingdom.

When the whole position is carefully surveyed, when the experience and the history of the past are brought to bear on the present and on the future, the fears which will fill some minds will probably cease to alarm. Herewith is a fairly comprehensive bird's-eye view of the tariff policy of foreign countries about fifty years ago. The information is taken from (1) Macgregor's official reports published during the forties, and (2) Newdegate's tariffs published in the fifties.

AUSTRIA.

In his report on the tariff of Austria for the year 1841, Macgregor * shows, that whilst not absolutely prohibiting the importation of certain articles, the authorities required that official permits should be obtained; and that the delays that resulted were so intolerable as to have almost the effect of prohibition. As the principal articles so dealt with included the manufactures of cotton, wool, linen, and silk, as well as hardwares, it will readily be seen how British goods were affected.

Newdegate,† in his work showing the Austrian tariff of 1852, gives:—

Cottons	40s. to 500s. per 123½ lb.
Woollens... ..	25s. to 300s. „ „
Iron manufactures—	
Very common	10s. „ „
Common	20s. „ „
Middle fine	30s. „ „
Fine... ..	50s. „ „
Superfine	200s. „ „

BELGIUM.

Duties in force, October, 1841 ‡:—

Cottons	8 to 15 per cent. <i>ad valorem</i> .
Iron manufactures	£4 3s. 4d. to £9 7s. 6d. per 2,205 lb.

Duties in 1850 §:—

Cottons... ..	110s. 10d. to 237s. 6d. per 220 lb.
Iron manufactures	5s. 5d. to 19s. 9d. „ „
Woollens	50s. 3d. to 296s. 10d. „ „

* Macgregor, vol. v., p. 7.

† Newdegate, p. 147.

‡ Macgregor, Report 2.

§ Newdegate, p. 89.

DENMARK.

Macgregor's report dated 1842 contains the following :—

Formerly woollen and cotton goods, although not absolutely prohibited, were on importation taken possession of by the customs and sold at public auction, the officers deducting 30 per cent. for the Crown and paying the balance of the proceeds to the importer, who was usually the purchaser. Special and very high duties have, since 1834, been substituted for the 30 per cent. deducted from the auction values of cottons and woollens.

The tariff includes the following duties :—

Cottons	...	...	...	from 7d. to 9s. per 17½ oz.
Iron manufactures	...	...	...	3s. 6d. to 7s. per 110¼ lb.
Some descriptions rated	...	...	...	from ¼d. to 1s. 1½d. per 17½ oz.
Clothes	...	...	...	duties on the material, with the addition of 50 per cent.

All goods passing through the Sound and Belts of the Baltic were subjected to tolls by Denmark, and nearly every foreign article passing through her territory was subject to transit duty ; special tariffs existed for these charges.

FRANCE.

Macgregor's report on French commerce is long and interesting. On page 60 he says the bases of Colbert's tariff of 1664 were (1) reduction of export duties, (2) reduction of import duties on raw materials, (3) increase of import duties on foreign manufactures. Then, on the following page, follows this significant remark :—

Colbert, who is considered the founder of the restrictive system, never contemplated, as far as we can learn, one-hundredth part of the restrictions by which the existing tariff of France limits the commercial relations of that kingdom with other countries.

In 1836 France removed the prohibition of import against a number of articles, some being manufactured goods. But still practically all cotton manufactures, all woollen manufactures, and all iron manufactures remained prohibited, and the exceptions were only admitted on payment of heavy duties. Macgregor said that from the statement given of the prohibitory system of France as affecting the three great staple branches of British manufactures : "It will appear that nothing of consequence is admitted, but under the presumption of aiding French manufactures."

Newdegate's "Customs Tariffs" shows that up to date of publication, 1850, or soon afterwards, the position in France remained practically the same. It may be interesting to Australians to know that imported wool was subject to 20 per cent. *ad valorem*, with a small specific duty added if imported in any other than a French ship.

GERMAN ZOLLVEREIN.

The important and interesting facts connected with the founding, the history, and the results of the Zollverein have already been dealt

with. From Macgregor's report, dated 1842, the following rates of duty are taken :—

Cottons	...	...	...	...	£7 10s. per 110½ lb.
Iron manufactures—					
Common	...	...	...	...	18s. " "
Fine	...	...	...	...	30s. " "
Woollens	...	...	...	...	£1 10s. " "

At the date quoted the Zollverein did not contain a number of the German states, they joined at a later period ; in these other states the duties were generally very much lower. The Hanseatic Republics or Hanse Towns were also outside. Their customs duties were almost nominal, say from $\frac{1}{2}$ to $\frac{2}{3}$ of one per cent.

The tariff of the Zollverein, officially published on the 4th December, 1853, as given in Newdegate's "Customs Tariffs," continued the duties on cotton, iron, and woollen manufactures as before. Other states had then joined.

HOLLAND.

The commercial history of Holland is a deeply interesting one. In 1843, says Macgregor, "the tariff of duties on foreign commodities is the lowest of any country in Europe, excepting those of Switzerland, Tuscany and Turkey." The following are some of the rates :—

Cottons	...	...	...	...	4 per cent. <i>ad valorem</i> .
Iron manufactures	...	...	...	...	2 to 6 per cent. "
Woollens	...	...	...	...	£3 6s. 8d. to £15 10s. per 220 lb.

Newdegate, bringing the tariff rates down to 1854, showed practically the same figures, except that the duties on woollens were lower.

ITALY.

The political divisions that existed in Italy in the middle of the last century resulted in a corresponding number of tariffs which cannot be separately examined. In some duties were low, in others, high. Thus :—Cottons in Naples equalled fully 100 per cent., on the descriptions principally consumed ; in Tuscany 12 per cent., the rates for the other states ranging between. Like other figures, these are taken from Macgregor.

RUSSIA.

From Macgregor's report on the Russian Empire, published in 1843, the following information is taken. The importation of a very considerable number of articles was absolutely prohibited : included in the list of prohibited articles were beer, boots and shoes, all kinds of printed cotton and half cotton goods (with some exceptions), clothing, carriages and equipages of all kinds, all manufactures of hemp or flax unless specially excepted ; various kinds of hats and caps, linen of all kinds, leather and manufactures thereof (with some exceptions), various kinds of millinery, many manufactures of metals, porcelain ware of all kinds, salt at certain ports ; certain silk manufactures ; brandy ; refined

sugar; tea; umbrellas; nearly all woollens—that was something like restriction!

Among the items graciously permitted to enter on payment of duty were:—

Cottons (the kinds not prohibited) ranged from a few pence per English lb. weight.

Woollens (the kinds not prohibited) ranged from about two shillings to over eighty shillings per English lb. weight.

Iron manufactures, and also those of other metals, ranged from a few to over one hundred pounds sterling per ton.

Most of the prohibitions and duties here given had been in force from the beginning of the century. Russia maintained in Poland her general tariff in a most peculiar way; she prohibited the importation from foreign countries of a very large number of articles unless on payment of 250 to 450 per cent. *ad valorem*, the object, of course, being to force Poland to buy from Russia. The crushing effect of the Russian tariff on the export of British and Irish produce can be seen by reference to Macgregor's report, p. 338. The aggregate exports of British and Irish produce to Russia in the ten years 1831-40 only totalled something between 16 and 17 millions, and of this no less than 12 millions consisted of cotton twist and yarn. Outside this article the whole of the manufacturing industries of the United Kingdom did not average a yearly export to Russia of half a million sterling. Newdegate publishes the Russian "Official Tariff of 1851." Apparently most of the prohibitions had been removed, but the duties imposed were probably fairly effective in that direction:—

Apparel, men's and children's	...	...	50 per cent.
„ ladies' dresses, etc.	...	...	75 „
Cotton manufactures	...	...	2s. 6d. to 20s. per lb.
Woollen manufactures	...	...	1s. 8d. to 7s. 4d.
Iron, and manufactures thereof, still mainly prohibited.			

SWEDEN.

The Swedish tariff, Macgregor's report, 1844, shows that a considerable number of articles were prohibited, and that many of the *ad valorem* duties were made heavier in amount, by a system of fixing arbitrary and excessive values. Cottons and woollens both came under the head of woven goods; some descriptions were prohibited—on the descriptions allowed to be imported the duties appear to have averaged 25 per cent. Iron, some descriptions prohibited; on some kinds and on iron manufactures generally the duties may again be taken as having averaged 25 per cent. As before stated, all these duties were levied not on actual but on fixed and excessive official valuations, so that the nominal 25 per cent. might easily be much more in fact.

Macgregor says:—

In addition to prohibition and high import, export and transit duties, convey duties of 5, 10 and 15 per cent. are charged on the amount of all other duties, or valuations of duties; town dues of $2\frac{1}{2}$ per cent. by privileged, and 40 per cent. by non-privileged, vessels are charged, and tonnage duties of 12 skellings per cent. on Swedish, and 36 on non-privileged vessels. Sails, cordage, gunpowder, refined sugar, iron, steel, the greater number of articles of cottons, woollens, earthenware, etc., are prohibited.

the duties on British goods calculated on the actual value of the goods :—

Cottons and woollens	...	Duties levied on the weight, equal to from 17 per cent. to over 600 per cent. <i>ad valorem</i> , the average being well beyond 50 per cent.
Hardware	—	Duties were from about 40 to 300 per cent. ; roughly, might be reckoned 100 all round.

In 1852 the duties remained much the same.

UNITED STATES.

Macgregor's report on the United States gives the following duties :—

Cottons	...	...	...	...	30 per cent. <i>ad valorem</i> .
Woollens	...	...	...	...	40 " "
Iron manufactures	...	...	...	30 " "	

At this time Texas had a separate tariff, the three divisions of manufactures here given being each dutiable in that state at 45 per cent.

In 1852 the United States duties, according to Newdegate, were :—

Cottons	...	...	...	...	...	25 per cent.
Woollens	...	...	...	...	...	30 "
Iron manufactures	...	...	...	...	...	30 "

It is not necessary to burden this statement with details of the large number of smaller or relatively unimportant foreign countries outside the foregoing list. It is, however, interesting to note the duties that were being collected in the various British colonies at the time Newdegate published his "Customs Tariffs of all Nations" in 1855—that is, in the colonies which were then, or have since become, self-governing. They can be put together in the form of a table :—

BRITISH COLONIES.

						Duties on manufactures of		
						Cotton	Wool	Iron
						Per cent.	Per cent.	Per cent.
Canada	...	...	...	...	...	12½	12½	12½
New Brunswick	...	...	...	...	...	7½	7½	7½
Prince Edward Island	...	...	...	...	...	5	5	5
Newfoundland	...	...	...	...	...	5	5	5
Nova Scotia	...	...	...	...	...	6½	6½	6½
New South Wales	...	...	...	...	...	Free	Free	Free
Victoria	...	...	...	...	...	Free	Free	Free
Tasmania	...	...	...	...	...	Free	Free	Free
Western Australia	...	...	...	...	...	Free	Free	Free
South Australia	...	...	...	...	...	5	5	5
New Zealand	...	...	...	...	...	10	10	10
Cape of Good Hope	...	...	...	...	...	5	5	5
Natal	...	...	...	...	...	5	5	5

In the last two named colonies the 5 per cent. became 12 per cent. when the goods were of foreign manufacture. It is singular that whilst in foreign countries, taking them as a whole, the restrictions on British goods have decreased during the half century, in British self-governing colonies the restrictions have increased.

Reviewing the position as a whole, it must be admitted that the constant tendency towards aggregation that marked the last century brought about a really marvellous increase of freedom altogether independent of, and additional to, that resulting from less restrictive tariffs. The world has grown in a wonderful way through this greater freedom. But the growth and the aggregation carry with them dangers of their own, and lovers of freedom never needed to be more alert than to-day. The segregationist of to-day points a warning finger at millions of pounds' worth of imported goods where his forefathers, perhaps, could not point at more than thousands. The goods which are groaned at in one country as imports have been rejoiced at in another country as exports. Everywhere there are those who groan, and as the volume of commerce grows greater and yet greater they have more and still more at which to groan. Let them groan. But let lovers of the freedom which has made such strides push on to-day more resolutely than ever; the barricades between sections of the same nations have been falling; it is the barricade between the nations themselves that now have to be attacked. They will fall one after another if attacked with faith and courage. The flag of peaceful commerce will yet win many a victory.

CHAPTER IV.

STEAM AND ELECTRICITY INCREASE THE FREEDOM OF TRADE.

THE remarkable movement from the segregation to the aggregation of communities, which has done so much to promote the prosperity and happiness of the world, has had a worthy and powerful rival in science in this good work. During the nineteenth century science may be said to have put on "six-league boots." It has done wonders. What secrets lay hidden in the bosom of Nature for century after century! Science studied and loved Nature and won her secrets—that is, some of them; others, greater than all, perhaps, have yet to be won. It is said that science overcomes the difficulties of Nature, but this is incorrect: science creates nothing; it discovers and utilises that which is already created. In Australia a man at his breakfast table finds that electricity has collected for him the news of the world's principal events during the preceding twenty-four hours, and he knows that steam can take himself and his letters and his goods to Europe in one month. The means whereby these wonders are done always existed. It is man's fault and misfortune that he did not sooner utilise them.

The wonders, the progress, due to steam and electricity are but the culmination of long-continued effort. See from what the world has emerged; look at this graphic pen picture written in the "forties" by an able writer:—

It was but late in the world's history when a Dutch ship performed the Transatlantic voyage by leaving Rotterdam or Amsterdam in the spring of one year—sailing during the day, and furling her sails and laying-to during the night—and on reaching New York, then called New Amsterdam, this ship was discharged, unrigged, and laid up for the winter. On the following spring this ship was rigged, her condition examined and repaired, then laden with wood, fish, or furs, and then made her homeward voyage during the summer, as slowly as her outward voyage was performed the preceding year. The voyage was afterwards performed out and home during the same year. English ships, some time after, made two voyages during the year; and, growing bolder, three voyages to and from America were made annually by the same ship.*

The comparison of the sailing ship that only ventured to make one trip across the Atlantic in the course of a year with the "greyhound" of to-day that crosses the Atlantic in five days, winter and summer alike, is indeed remarkable. The restrictions on trade, due to time and space, have been reduced to a marvellous extent. In those old days a merchant had also to be shipowner, banker, and insurer of both ship

* Macgregor's "Commercial Tariffs," Vol. vii., p. 64.

and cargo. To day he can hire cargo space, can arrange the exchange through a banker, and his insurance through a company.

Mulhall, in 1888, said—

Down to the year 1820, when the continent of Europe had only 7,600 miles of railway, the ordinary cost of land-carriage for goods was £3 a ton per 100 miles, or six times what it is at present. Freight by sea then averaged over 40s. a ton, or more than double what it is now. The following table shows approximately the tonnage borne by rail and shipping at various dates:—

Year.	Millions of Tons.		
	Rail.	Shipping.	Total.
1830	3	24	27
1840	16	30	46
1850	97	37	134
1860	193	48	241
1870	602	64	666
1875	715	80	795
1880	893	112	1,005
1887	1,358	139	1,497

The saving to the people of Prussia alone, in having their merchandise carried by rail, was estimated in 1878 at 120 millions sterling per annum; this would imply that the saving in 1887 for all nations (per annum) was as follows:—

	Tons.	Million £ saved.
Europe...	752	1,128
United States...	552	823
Colonies	54	81
	1,358	2,037

This saving may be considered approximately correct; it is equal to 80 per cent. of the total annual expenditure for food by the nations comprised above.

Since Mulhall compiled these figures the expansion has continued at an even accelerated rate, and the average of freight charges has been still further lowered.

Naturally the less it costs to carry, say, wheat to, say, England, the keener becomes the competition which the English farmer has to meet; and, similarly, the less it costs to carry, say, manufactured goods to, say, Australia, the keener becomes the competition which the Australian manufacturer has to meet. But, after all, it is probable that the freight *viewed as a percentage* gives nearly as great an advantage to the local producer as it did half a century ago when the cost of goods was infinitely higher. There are, of course, two forms of restriction—or, if you will, protection. The one which is given by Nature and the one which is given by Man. The natural restriction is, of course, greatest between the countries that are the farthest apart, such as the United Kingdom and Australia. The same market rules the price of wheat for both the British and the Australian farmer—the consumer pays the same price for both, quality being equal. The British farmer lives in the market, and is paid the full price; the Australian farmer lives far away, and the price paid for his wheat has to be divided between him and the ship. If the market price be 30s. per quarter (3s. 9d. per bushel), and the freight, etc., equal to 6s. per quarter (9d. per bushel),

then, where the English farmer receives 30s. the Australian only receives 24s. The English farmer thus enjoys 6s. per quarter natural protection, but he thinks, or some one else does for him, that Man should now further "protect" him. It is a topsy-turvy sort of world. Nature has given the English farmer a big advantage over the Australian, and then Man is asked not to help the Australian but to help the English. "Let the consumer pay something extra on all the wheat he consumes; to the English farmer on the English wheat, and to the public revenue on the Australian." That is Man-made protection for the English farmer, or, more probably, for his landlord. (This point is discussed without the preferential entanglement.)

Then, in Australia, the Australian manufacturer has his market round him; to reach the same market the English manufacturer's goods are subject to freight, etc., charges, roughly on the average, equal to, say, 20 per cent. on the cost. This is Nature's handicap, restriction on the English manufacturer, or Nature's protection to the Australian manufacturer. Then Man is appealed to not to help the manufacturer who carries the handicap, but the one who enjoys the protection of 20 per cent. given by Nature. This subject of Nature's protection is not understood as it ought to be, and it will be found referred to at greater length in another part of this work. In this part, whilst referring to its existence as a great power in the world of trade and commerce, it is sought to make it quite clear that the great power of to-day is but small compared with the potent force of bygone years. Australia has been visited lately by a terrible drought under which her sheep and cattle died by the million. Foodstuffs were imported from great distances, but though electricity was available to send orders abroad, and steamers were available to bring the goods, yet there were great hesitation and severe loss before merchants would run the risk of, say, a two or three months' venture, because they knew if rain came that grass might be abundant in a few weeks, and that consequently they might lose money. If hesitation could exist like this, spite of electricity and steam, what must have been the position when neither was available, and when a space of from one to two years might easily pass before goods could be imported from a distant country, and in the interval the whole position as regards supply and demand might not only be changed but reversed? Besides this, a whole year might pass from the date of a letter offering goods before a letter accepting the offer could be received, and meanwhile the goods might have been consumed or exported elsewhere. The public of to-day are so accustomed to the speedy and continuous arrival of large quantities of merchandise that they have no conception of the condition under which their fathers lived. The change is probably the greatest and most remarkable revolution the world has ever seen. Four things have contributed to create the volume of commerce that the world sees to-day—first, aggregation of communities; second, cheaper production; third, quicker and cheaper transit; and fourth, reduced tariffs. What is the relative importance of these four causes of growth it is hard to determine, but combined they have brought about the vast commerce and the increasing freedom of trade which the world sees to-day.

CHAPTER V.

ALLEGED DECLINE OF BRITISH WEALTH AND COMMERCE.

It is not a little singular that, at the very time when, judged by all ordinary rules, Great Britain is better off than she has been at any previous time in her history, assertions should be made to the effect that she is declining in wealth and in industrial prosperity. As these assertions lie at the bottom of most of the demands that Great Britain shall make some change in her fiscal policy a reference to the subject may well be made. To test the truth of such assertions is a simple matter.

When the census of the United Kingdom was taken in 1901, it was found that the population had increased by 4,341,769 souls since 1891. Notwithstanding this unprecedented increase the condition of the people, per head, or per family, was not only as good but actually better in 1901 than in 1891. Wages; food consumption; savings; employment; under all these heads, both relatively and actually, judged by the whole, or by a unit of the population, 1901 showed improvement on 1891. What more need be said? The prosperity of a country may decline in some directions whilst it advances in others, but it cannot advance in the aggregate and decline in the aggregate at the same time. It is idle for people to try to discount the truth of the general prosperity by suggesting that the country has been living on its capital, when it is quite evident—as, indeed, might reasonably have been expected—that instead of living on, that is spending, a portion of its accumulated capital during the ten years, it has actually increased the aggregate of its accumulations. Presuming the increase of population shown by the census to have been a steady one throughout the decade, we can take one-half the number, or 2,170,835, as representing the average increased number of people maintained during the ten years. Multiplying this by the average expenditure per head of the British people, and making allowance for the increased expenditure of the whole population, it seems safe to say that during the decade the people of the United Kingdom in the aggregate, over the whole period, were able to spend, and actually spent, one thousand million pounds in excess of the total so spent during the preceding ten years. The suggestion that such expenditure was out of capital is refuted at once, and easily, by the fact that the returns of income for taxation were greater and not less.

“But look at the paupers.” Well, look at them, and at the employed at the same time. In 1851 the employed were represented by 27 millions, the idle by 1½ millions. In 1901 the employed were

represented by 40 millions, and the idle by 1 million. The employed are now so much more numerous and so much better off that they allow the idle twice as much per head as fifty years ago. The million paupers, of course, includes the physical and moral wreckage found in every country as well as in Great Britain, and, in addition, those who, after having bravely borne the heat of the day, find themselves incapacitated in the evening of their lives. There is much to bring sadness to the heart in this direction, but the man who fails to recognise the enormous advance humanity has made the last half century must be wilfully blind.

There are two other facts of singular interest in this connection.

1. The number of people who are now emigrating is less than formerly.
2. The number of men who are required to man the merchant navy are increasingly difficult to secure. These two facts alone would suffice to show that employment is greater instead of smaller, and that times generally are better, not worse.

CHAPTER VI.

BRITISH EXPORTS.

It is mainly in connection with the export trade that the outcry about British decadence originates. Here, especially, Great Britain is said to measure her strength with that of other nations, and it is alleged, because the exports of other nations have increased rapidly, that therefore Great Britain is being beaten.

I believe that by unbiassed observers this cannot be contested—our foreign trade is gradually slipping from us.*

This remark, which, compared with many others, is very moderate, is made by Sir Vincent Gillard, and it is to be observed that even Sir Robert Giffen,† whilst stoutly and effectively contending for the growing strength of Great Britain, is rather surprised that the exports do not show greater expansion. A careful study of the subject will show that the position is quite natural, and at the same time very satisfactory.

It is in Great Britain, the world's financial centre, that commerce is the most complex; the most involved with movements of capital and with other financial operations. A mere look at the statistics of the imports and exports of Great Britain will not suffice; they must be intelligently studied if they are to be understood. It is not difficult to see that Britain's imports and exports have been most radically affected by the movements of British capital. In short, it will be found that the vast sums which in the past Great Britain has invested abroad, largely in her own possessions, actually to-day tend to lessen her exports and to enlarge her imports. Indeed, here is the key, the explanation not of the whole but of the bulk of the constantly growing margin between the amount of the exports and that of the imports. Commerce is, and must always remain, essentially a matter of exchange, but this exchange can be, and is, greatly modified by the effect of investments. Great Britain now takes full five hundred millions of imports, and apart from the amount involved in freight, the whole would require to be paid for by exports. But to the extent of tens and tens of millions of these imports, Great Britain gives nothing except mere interest receipts. Every year she is lending further sums and so increasing her power to obtain imports free from the usual necessity of exchanging exports for them. The subject of external investments is, therefore, one of deep interest and importance. It raises many questions: the effect on the country that lends; the effect

* *National Review*, March, 1902.

† *Economic Review*.

on the country that borrows; considerations affecting the present and the future. It is singular and really ludicrous that there should be people in Great Britain who are quite unhappy because their country is obtaining year after year many millions of pounds' worth of food and other merchandise without parting with British manufactures to a corresponding value. If it were possible to divide British commerce into two divisions: first, "Exchange" second, "Investment," then, possibly, these people who are so slow of comprehension might get a better grip of what is going on. "Exchange imports and exports" would about equal each other, except as regards the effects of freight. "Investment imports and exports" would show the new capital invested abroad and the returns on the aggregate capital so invested.

It is as well to point out that whilst the ordinary Customs statistics of imports and exports are very useful as records of the volume of trade, they are not of any use as balance sheets, and yet they are constantly being used as such. The folly of this can be seen at once by comparing the Customs statistics of two countries for the trade that passes between them. As an illustration of this the following figures are worth noting; they give the commerce between the United Kingdom and Australasia for the four years 1888-1891—a specially active period; first, as recorded by the British Customs, and, second, as recorded by the Australasian Customs.

BRITISH-AUSTRALASIAN TRADE, 1888-1891.

1. According to British Customs Returns.

	Imports from Australasia.		Exports to Australasia.	
		Million £.		Million £.
1888	...	29·8	...	28·8
1889	...	31·0	...	25·7
1890	...	31·7	...	25·6
1891	...	35·7	...	28·3
		<hr/>		<hr/>
		128·2		108·4

Excess of imports, 19·8 millions.

2. According to Australasian Customs Returns:

	Imports from Great Britain.		Exports to Great Britain.	
		Million £.		Million £.
1888	...	30·2	...	28·8
1889	...	30·0	...	29·3
1890	...	28·2	...	28·2
1891	...	30·8	...	32·6
		<hr/>		<hr/>
		119·2		118·9

Excess of imports, 0·3 million.

It will be seen that the identical trade which the British statistics record as showing 19·8 millions excess of imports into Great Britain shows 0·3 million in the other direction—that is, excess of imports into Australasia when recorded in the Australasian statistics, which means a difference in the aggregate of 20·1 millions in the records of the same

trade. Clearly, therefore, it is idle to look upon the import and export returns of the British customs in the light of a balance sheet. The goods which as imports into Great Britain were worth 128·2 millions were only worth 118·9 millions as Australasian exports. On the other hand, the British exports which were valued at 108·4 millions rose to a value of 119·2 millions when they were imported into Australasia. If people want to know what Great Britain pays for goods they will be wiser to consult the export returns of the various selling countries rather than the import returns of Great Britain, which are loaded with tens of millions of freight which she never pays—except to herself.

To return. British customs statistics showing an aggregate of £50 millions of imports and 300 millions of exports might divide as follows if their history could be traced:—

1. Exchange imports and exports:

A. Custom House record (as per British import and export returns)—

Imports.	Exports.
£345,000,000	£270,000,000

B. Balance sheet—

	Dr.	Million £
Merchandise exported—		
Shipping value, as recorded...	...	270
Freight payable thereon to British vessels	...	30
		—300
	Cr.	
Merchandise imported—		
Shipping value, as recorded in foreign and Colonial export statistics ...	...	300
Freight thereon payable to shipowners in the United Kingdom, etc. ...	...	45
		—345

It will be understood that the freight added or deducted means simply that portion which is earned by British shipping. It must also be understood that the term “freight” is used as an inclusive term, covering not only freight itself, but insurances, commissions, passenger fares, travellers’ expenditure, etc. No attempt is made to secure exactness in the proportions of these figures; all that is aimed at is to fairly illustrate the working of commerce.

2. Investment imports and exports:

A. Custom House record—

Imports.	Exports.
£105,000,000	£30,000,000

B. Investment profit and loss account—

	Dr. Other Countries.	Million £.
To interest and profit on capital lent and invested, one year ...	...	90
	Cr.	
By merchandise at export prices, valued at £105,000,000 landed in Great Britain ...	...	90

C. Balance sheet—

BRITISH INVESTMENTS ABROAD.

Dr.		Million £.
January 1.	To balance capital lent and invested to date, say, a total of	2,500
December 31.	To capital lent and invested during the year in the form of exports in excess of capital recalled or lost, say ...	30
„	Interest, etc., one year	90
Total		2,620
Cr.		
December 31.	By merchandise	90
Balance outstanding ...		2,530

These tables give a very accurate idea of what is at the back of the mere statistics of British imports and exports, but how different from the reading of the figures according to some writers! The balance sheet leaves other countries 30 millions more in debt to Great Britain, and requires them in the following years to supply, say, another million of merchandise yearly as interest, thus still further giving Great Britain a right to imports without the necessity of exchanging exports for them. It can hardly be denied that for many years the course of British external investments has been such as is here outlined, though probably there have been few of the last fifty years in which these investments have not exceeded 30 millions.

If we trace the growth of British commerce during the past half century it will become very clear how largely it has been associated with the investment of British capital, and it ought also to become clear that, so far as the exports of bygone years represented capital, they could not be looked upon as permanent exports, but that they certainly did point to a growth of imports of a more or less permanent character.

EXPORTS OF BRITISH AND IRISH PRODUCE, IN AGGREGATES OF FIVE YEARS.

	Foreign countries.	British possessions.	Total.
	Million £.	Million £.	Million £.
1841-45 ...	188·0	81·6	270·0
1846-50 ...	221·4	83·0	304·4
1851-55 ...	309·8	131·4	441·3
1856-60 ...	420·3	200·5	620·5
1861-65 ...	487·0	234·9	721·9
1866-70 ...	685·9	253·3	939·2
1871-75 ...	876·0	321·8	1197·8
1876-80 ...	669·7	337·3	1007·0
1881-85 ...	754·9	406·5	1161·4
1886-90 ...	775·7	405·9	1181·6
1891-95 ...	759·0	375·8	1134·8
1896-1900 ...	833 0	430·2	1263·2

The gold discoveries in the “fifties” in Australia, together with those in California, brought about the first real rush of British capital for investment abroad. Prior to that period such investments had always been of a very limited amount. After the close of the “fifties”

the stream of British capital to the colonies slackened, but flowed in great volume to foreign countries, which two facts are clearly seen in the figures of the 15 years 1861-75. In 1875 there was a great break in the market for foreign loans, and the losses were so severe that this class of investment lost caste, with a marked result on the volume of exports immediately afterwards. The figures for the five years 1871-75 were inflated enormously by the concurrence of two causes—first, the boom in foreign loans; and second, the results of the Franco-German war. During the 25 years 1876-1900 the investments of capital abroad have been immense, mainly in the direction of the outlying portions of the Empire, but the fluctuations, not only in the volume but in the destination, have been great. In the 1891-95 period the investments fell off to a very marked extent, and the result was a prompt fall in the exports to the colonies.

In the statistics of the colonies themselves striking evidence can be found of the stimulating effect on British exports of British investments abroad. Victoria was first settled in 1836, the population, a mere handful, some 224. In the "fifties" Victoria proved to be the centre of the Australian gold discoveries.

COLONY OF VICTORIA, 1837 TO 1842.

The total imports were ...	...	...	...	...	£1,470,524
The total exports were ...	...	...	...	...	645,808
Excess of imports ...					£824,716

At the close of 1842 the population had only reached 23,799, so that the early settlers were splendidly helped with capital in opening up this new colony. Doubtless a good part of this capital belonged to the settlers themselves, but that a large part of it represented the British investor seems clear from the records of the next few years:—

1843 TO 1851.

The total imports were ...	...	...	...	...	£3,995,517
The total exports were ...	...	...	...	...	5,964,028
Excess of exports ...					£1,968,511

By 1851 the population had grown to 97,489. The pastoral industry had advanced in an astounding manner, there being more than six million sheep. It is clear the early investors obtained very big dividends.

1852 TO 1860.

The total imports were ...	...	...	...	...	£127,622,717
The total exports were ...	...	...	...	...	115,170,679
Excess of imports ...					£12,452,038

There is magic in these figures and the magician is—Gold. That the imports, which in one period of nine years totalled only four millions, should in the following nine years rise to a total of one hundred and twenty-seven millions almost passes belief. It is certain that in this period a large investment of British capital was made in Victoria; how much it is difficult to determine. Public borrowing began in this

period, and the debt was five millions at the close of 1860, but the private investments very probably reached fully twice this sum. Of the excess of imports shown, a goodly amount belonged to the immigrants, but on the other hand, when the 1852-60 period began, Victoria was paying a fair amount to Great Britain for profits on prior investments, all of which was now retained and, in addition to the excess of imports, constituted new capital invested.

Of course in the case of a new country, owning no shipping, import and export statistics for the early years to a large extent do constitute a balance sheet, and the inrush of new capital can be measured with some accuracy by the excess of imports, but very speedily the yearly interest that has to be paid affects the figures. A liability to pay one million a year for interest exactly balances and hides, or at least obscures, the borrowing of a further million. As the total of interest to be paid grows bigger and bigger it often happens that millions may be borrowed without any excess of imports being seen. For this reason the statistics of the British colonies for the past thirty or more years do not tell what there is to be told on the subject of their imports—British exports to them—of capital. It is needful to fall back on the statements of the public debts of the colonies. The tables "Exports and Loans" are taken from the figures given in the report of the Colonial Conference of 1902. They will well repay careful study.

1. EXPORTS AND LOANS.

Exports of British and Irish produce to the States of the Australian Commonwealth compared with the loans for the periods named :—

State to which the exports and loans were made.	5 years 1866-70.	5 years 1876-80.	5 years 1881-85.	5 years 1886-90.	5 years 1891-95.	5 years 1896-1900.
	Mill. £.	Mill. £.	Mill. £.	Mill. £.	Mill. £.	Mill. £.
New South Wales.						
Exports	13·6	26·1	41·0	36·4	30·9	34·6
Loans	3·9	2·4	20·7	10·5	12·0	3·7
Victoria.						
Exports	26·9	28·3	33·2	36·4	23·0	24·6
Loans	3·3	6·1	10·7	9·6	5·6	1·1
Queensland.						
Exports	2·0	4·5	10·3	11·6	9·0	10·9
Loans	2·4	5·9	7·1	8·8	3·7	8·1
South Australia.						
Exports	5·7	11·5	12·3	8·6	8·7	9·2
Loans	1·1	6·5	7·2	3·4	1·7	4·0
Western Australia.						
Exports	0·5	0·8	1·1	1·9	3·2	10·0
Loans	0·0	0·2	0·9	0·1	2·6	5·9
Tasmania.						
Exports	1·1	1·3	2·2	2·6	2·1	2·4
Loans	1·3	0·3	1·4	2·9	1·8	0·7
Totals.						
Exports	49·8	72·5	100·1	97·4	76·8	91·7
Loans	12·0	22·4	49·0	35·2	27·4	23·6

2. EXPORTS AND LOANS.

Exports of British and Irish produce to certain colonies, etc., compared with the loans for the periods named :—

Exports and Loans. To	5 years 1866-70.	5 years 1876-80.	5 years 1881-85.	5 years 1886-90.	5 years 1891-95.	5 years 1896-1900.
	Mill. £.	Mill. £.	Mill. £.	Mill. £.	Mill. £.	Mill. £.
Canada.						
Exports	27·5	31·7	40·6	37·0	31·2	30·9
Loans	1·3	16·4	14·6	3·6	6·6	5·8
Capo of Good Hope.						
Exports	7·1	20·2	21·3	21·9	34·9	47·5
Loans	0·7	8·6	10·3	2·1	3·8	3·6
New Zealand.						
Exports	8·8	17·3	19·5	15·9	16·2	22·1
Loans	3·5	9·7	7·4	4·2	4·2	6·5
All self-governing Colonies.						
Exports	94·4	147·3	187·3	182·4	167·6	208·3
Loans	17·7	58·5	83·4	46·4	44·9	40·4
India & Crown Colonies.						
Exports	158·9	190·0	219·2	223·5	208·2	221·9
Loans	10·2	43·0	9·5	19·3	*5·2	33·4

* Reduction.

It will be seen that practically in all cases a specially large increase in British exports has been concurrent with specially large loans, and that any marked decrease in such exports has been in the years when there has been a marked decrease in the loans. Thus, taking Australia, all the States together, it will be seen that loans of 12·0, 22·4, 49·0, are accompanied by exports of 49·8, rising to 72·5, and then to 100·1 millions, after which the loans fall to 35·2 and 27·4, and the exports fall to 97·4 and 76·8 millions. It is safer to read the Australian return as a whole, in regard to the exports, as goods for some States, notably Queensland and Tasmania, are shipped to adjoining States and then transhipped.

It is to be noted that the report from which these figures are taken gives the percentage of the increase of exports 1896-1900 over those of 1876-80 as follows :—

EXPORTS BRITISH AND IRISH PRODUCE.

To Self-governing Colonies	..	..	..	41·43	per cent.
To India and Crown Colonies	..	..	..	16·79	„
Average British possessions	..	..	..	27·55	„
To foreign countries	..	..	..	24·41	„

It is worth while making another comparison—that is, with regard to the aggregate exports and the aggregate borrowings, as far as the Colonies and India are concerned.

Twenty-five years 1876-1900.

	Total Exports, British and Irish Produce.		Total Public Loans.	
	Million £.		Million £.	
Self-governing Colonies ..	892.9	..	273.6	..
India and Crown Colonies ..	1062.8	..	100.0	..

These figures give some idea of the extent to which purchases of British goods were increased by the loans of British capital; but only public—that is, Government—loans are here given. To what extent these large totals were increased by private investment it is impossible to say—that is, with any certainty of accuracy. There is, however, plenty of evidence to show that the capital supplied to the banks, companies of all kinds (including gold mining), and supplied for investment in land and property, constitute a heavy aggregate; nearly, if not quite, as much as the public loans. Probably it is safe to say that the self-governing colonies, which bought 892.9 millions of British and Irish produce in twenty-five years, obtained new capital during the same period to the extent of 500 millions, an average of 20 millions per year. Noting the four millions a year to India, etc., and remembering the loans and investments throughout the whole of the foreign countries of the world, there seems little risk in putting at from 40 to 50 millions a year the grand total of the average British investments, public and private, made during the twenty-five years in question. Considering the importance of the subject it is surprising how little data there is to guide the inquirer. A better light on the figures of British “Investment imports and exports” would make clearer various matters which at present are little understood.* Broadly, it would seem that British investments play a very important part in British commerce; that the rise and fall in the volume of capital flowing outwards largely corresponds with the rise and fall in the volume of exports, and that the ever-growing total of external investments leads of necessity to an ever-growing excess of imports, because no exports are required in exchange for the imports that represent the gain on investments.

According to the return published by the Board of Trade, the reports of British and Irish produce in 1902 showed an increase of 46 millions over those of 1881. It is thought in many quarters that in view of the growth of the imports in the United Kingdom, and also of the growth of the exports of other countries, that the British increase is unsatisfactory.

Every country wishes to sell as much as possible to other countries. Sell what? The produce of the labour and capital of its people. If a thousand men are employed manufacturing goods for another country

* It would greatly facilitate the study of the subject of British commerce if the return were prepared showing (if possible from 1850 to the present time), year by year, the moneys (1) lent on loan, (2) invested in companies, (3) invested privately, (4) taken by emigrants; deducting renewal loans, investments lost, and moneys returned. British countries and foreign to be given separately. Of course such return would approximate only six, but it could be prepared with sufficient accuracy to be very valuable.

and a further thousand are employed transporting goods for that country, there is no reason why the result in one case should be recorded and in the other case be ignored. Yet there is no record in regard to British shipping.

Where goods are sold to other countries which have been made of imported raw materials, the real product of British labour and capital can only be known by taking into account the cost of such raw material. Yet this is not done in regard to British exports.

If these matters be taken into consideration they at once put a different complexion on the comparison of 1902 with 1881. In the first place, the prices paid in 1902 for imported raw material were much lower than in 1881. If a man sell manufactured goods to the extent of £200 one year and to the extent of £246 another year, there is an increase of £46 in the return; but if his raw material cost him, say, £14 less, then there is really a net increase of £60. This is what has occurred in regard to British exports. The imported raw material used in 1881 was relatively dear compared with that used in 1902. The following is a fair approximation to the real difference between the two dates:—

Excess of goods supplied and services rendered to other countries in 1902 as compared with 1881.

Increased value of goods supplied as per Customs returns	£46,000,000
Add, saving in amount paid to other countries for imported raw material, say	14,000,000
Add, shipping "other than new," not included in Customs, say	5,000,000
<hr/>	
Increased net return goods supplied	65,000,000
Increased services rendered by British shipping, say ..	20,000,000
<hr/>	
Total value goods and services 1902 in excess of 1881 ..	£85,000,000

Clearly, the "nation of shopkeepers" has had the honour of more patronage from other countries than official figures indicate.

It is to be understood that these figures, though they are the result of much study and investigation, are offered as estimates only, and with a view to prompting those who can better command the needful information to examine the subject. A million pounds for services rendered is equally as important as a million pounds for goods supplied. To concentrate attention on the one and ignore the other cannot but lead to misunderstanding of the commercial position. Equally clear is it that a comparison of the value of exports, when such exports are largely manufactured of imported material, should be *minus* the cost of the imported material.

Many papers have been published, from time to time, on the subject of British exports, and several of them offer scope for useful criticism. Mr. J. Holt Schooling* has dealt with "British exports to foreign

* *Windsor Magazine*, August and September, 1902.

countries." Evidently writing with every intention to be fair, and with sympathies on the side of free trade, he comes to the conclusion that the position of the British "export trade is weak," and "that the time has come when we ought to consider the matter of free trade, or of what we call free trade." If, however, Mr. Schooling had not lost sight of certain facts his conclusions would have been of a more cheerful character. He says :—

In measuring the progress or regress of our exports to each foreign country, we have to take into the account not only the actual increase or the actual decrease in our exports to this or that country, but also we must observe the growth or the decline in the buying-power of each country from all sources. We must ascertain, for example, whether our exports to the United States (our largest customer) have increased proportionately to the increase in purchases *from all sources* made by the United States. Again, if Italy—for example—has fallen off in buying-power from all sources, we must not complain if Italy has fallen off in her purchases from us to the same extent. And so on. The facts for each country being separately stated. By this method we shall obtain a broadly based and reliable insight as to the condition of British export trade with each of our foreign customers.

There is a fallacy in this method of testing the position of trade. Broadly speaking, the commodities of commerce divide into three classes, viz. : articles of food, raw materials, and manufactured articles. The commodities which the United Kingdom can export are mainly those that come under the heading of manufactured articles, but if these are not the commodities of which the world at large is requiring increased supplies then of course the countries which show increased exports are those offering the food and the raw materials which are wanted. The real question is, are the manufactures of the United Kingdom being supplanted in the world's markets by those of other countries?

Quoting again from Mr. Schooling :—

The United States were our biggest customer during the period 1881-1900, and our exports to them were :—1881-1890, 282·2 millions ; 1891-1900, 218·7 millions ; a fall of 63·5 millions, or of 22 per cent. Our exports to our biggest foreign customer having fallen off by 63·5 millions, or by 22 per cent., during the last ten years, we have to ascertain whether this is due merely to a general falling off in purchases by the United States, or to a special decline in their purchases from us. To determine this point I have summarised the imports *from all sources* into the United States during the twenty years, and the result is as follows : 1881-1890, 1,416·8 millions ; 1891-1900, 1,598·7 millions ; a rise of 181·9 millions, or of 13 per cent. These facts show that while imports into the United States from all sources have increased by 181·9 millions, our exports to the United States have decreased by 63·5 millions. Clearly, therefore, our loss of export trade with our biggest foreign customer is not due to a general abstention from purchasing by the United States, but is due to a large decline in purchases from us.

That is what Mr. Schooling says. Let us see what commodities the United States actually imported, taking the classification of the United States :—*

* Absence of the detailed figures for 1900 has made it needful to compare these years.

	1881-1889.	1891-1899.	Increase.	Decrease.
	Million £.	Million £.	Million £.	Million £.
1. Articles of food and live animals	405·7	463·0	57·3	—
2. Articles in a crude condition, which enter into the various processes of industry ..	285·4	362·1	76·7	—
3. Articles wholly or partially manufactured for use as materials in the manufactures and arts	149·6	146·1	—	3·5
4. Manufactured articles, ready for consumption	265·1	252·2	—	12·9
5. Articles of voluntary use, luxuries, etc.	160·1	167·8	7·7	—
Total	1,265·9	1,391·2	125·3	—

It will be observed that this new table puts an entirely different face on the matter. In view of the fact that the aggregate imports of manufactured goods decreased, there need be no surprise at there being a decrease in the imports from Great Britain. A further study of the returns will show that in some specially British lines imports were very reduced.

With regard to British exports to Japan, Mr. Schooling says:—

Our exports for Japan were:—1881-1890, 29·3 millions; 1891-1900, 52·1 millions—a rise of 22·8 millions, or of 78 per cent. The imports from all sources into Japan were:—1881-1890, 71·1 millions; 1891-1900, 167·7 millions—a rise of 96·6 millions, or of 136 per cent. This very large increase in the imports into Japan from all sources causes even the large increase in our exports to Japan to be below the expectation. We see this when we look at the two percentages shown here.

Apparently Mr. Schooling does not notice that he is here—as indeed in all these comparisons—comparing value *minus* freight with value *plus* freight. These British exports are entered in the United Kingdom at free-on-board prices; in Japan the same goods become imports and are entered at the landed value. To be compared they must be brought to the same standard. The voyage from the United Kingdom to Japan is one of the longest in the world, and the freight, etc., is probably fully 20 per cent. or more on the shipping cost. Taking this cost, the 22·8 millions increase in British exports would be reckoned in Japan as 27·4 millions increase in the imports from the United Kingdom. The consequence of this correction—and it is essential to accuracy—is that the British increase comes out at 94 per cent., instead of 78 as given by Mr. Schooling. It is taken for granted that the figures given by him are correct. It is the deductions from them that are criticised. Of course, if a corresponding correction were made—as in the case of the United States—where there is an actual decrease, the effect would be to enlarge the percentage of decrease.

The statistics relied on by Mr. Schooling cover twenty years—1881-1900—which he regards as securing “a stable basis” for his deductions. Of course, he is perfectly correct in pointing out, as he has

done, that the comparison of the return of one year with those of another might easily be misleading, but, after all, one series of ten years compared with another ten years may also be misleading. For certain reasons the comparison of the ten years ending with 1900, with the ten years ending with 1890, yields results which do not do justice to British trade. According to the figures laid before the Colonial Conference of 1902, the loans obtained by British countries aggregated 158 and 113 millions in the first and second periods respectively, a falling off of 45 millions in the second period. Of course, loans inflate exports, and if these 45 millions had not been lent in the first period, and had been in the second period, that alone would have materially altered the position. It is rather a singular fact that whilst Mr. Schooling is deploring the small growth of British exports to foreign countries during 1891-1900, as compared with 1881-1890, he does not mention the fact that there was a positive decrease in the exports to British countries. The figures compare as follows :—

EXPORTS OF BRITISH AND IRISH PRODUCE.

	1881-1890.	1891-1900.	Increase.	Decrease.
	Millions.	Millions.	Millions.	Millions.
To British Possessions ..	812	806	—	6
To foreign countries ..	1,531	1,592	61	—

The abnormal rise in the value of coal is responsible for the whole increase in exports to foreign countries, and also for the decrease to British Possessions not being larger than shown. "Exports of coal are exports of national capital," says Mr. Schooling, which is surely a strange remark. At all times coal exported represents payments to labour and to capital. In the years in question the world at large was paying great prices for coal, perhaps a sovereign for a quantity which in its unmined state—"national capital"—might be worth only a shilling. Surely remarkably good business. Every farthing the United Kingdom receives for her coal is her own, whilst out of her sales, say, of cotton goods, she has to pay away millions for cotton. A million for coal is a clear gain; a million for cottons is subject to a big reduction.

The figures supplied to the Colonial Conference showing the percentage of increase in British exports for the five-year period 1896-1900 over the five-year period 1876-1880 have already been quoted, but it is worth while finding out the percentages for the ten-year period 1891-1900 over the ten-year period 1881-1890. They compare as follows :—

INCREASE OR DECREASE PER CENT. EXPORTS BRITISH AND IRISH PRODUCE.

	1896-1900 over 1876-1880.		1891-1900 over 1881-1890.	
	Increase.	Decrease.	Increase.	Decrease.
To British Possessions	27·55	—	—	0·78
To foreign countries.. ..	24·41	—	4·02	—

This result, this comparison of the results of two comparisons, teaches the desirability of caution in accepting figures even for periods of years without first learning what were the governing factors in commerce during such periods, but that loans and other financial proceedings have great influence on the value of British exports is clear enough.

Mr. Schooling gives a table in which he shows the fall or rise in twelve leading lines of export during 1891-1900, as compared with 1881-1890. He shows in nine lines an aggregate fall of 130·74 millions against, in three lines, an aggregate rise of 50·40 millions. He says :—

I suggest that the facts ought to cause an impartial observer to doubt the wisdom of continuing to regard the increasing excess of our imports over our exports as a sure sign of the prosperity of British commerce. Nearly all political economists of the older school pin their faith absolutely to the maxim that an excess of imports is a sure sign of prosperity. But this maxim is faulty when, as in this instance, it ignores the cause of the excess of imports.

It may be admitted at once that an excess of imports may mean one thing in one country and something else in another, and also in the same country one thing at one period and another thing at a different period. In Australia it has meant that the country was getting into debt; in the United Kingdom it has meant something widely different. But Mr. Schooling is too easily frightened. Nearly one-half of the aggregate fall referred to is in cotton manufactures and yarn, 60·81 millions. Now, raw cotton is all imported; it is not a product of the United Kingdom. Did the raw material cost more or less in these years of lessened value in exports of manufactures?

DECLARED VALUE OF RAW COTTON IMPORTED INTO THE UNITED KINGDOM.]
Re-exports deducted.

	£			£
1881 ..	38,858,112	..	1891 ..	42,292,823
1882 ..	40,365,103	..	1892 ..	33,352,419
1883 ..	39,788,373	..	1893 ..	26,077,009
1884 ..	39,105,850	..	1894 ..	28,277,426
1885 ..	32,009,093	..	1895 ..	26,891,552
1886 ..	34,152,543	..	1896 ..	32,700,359
1887 ..	34,429,567	..	1897 ..	27,878,930
1888 ..	34,470,387	..	1898 ..	30,527,271
1889 ..	39,770,428	..	1899 ..	22,911,114
1890 ..	38,006,082	..	1900 ..	36,173,124
Total	370,955,538		Total	307,072,032

These figures alter the position entirely. If the United Kingdom received 60·8 millions less for her exports of manufactured cottons, she paid 63·9 millions less for her raw material. If a fifth of this be reckoned to have been saved on the home consumption of cottons it would leave 51·1 millions saved on the exported. It is clear enough that the fall in the value of cottons exported is simply the antecedent fall of the value of the raw cotton, and does not mean loss of trade. The fall in the value of wool during the nineties also explains the smaller value of woollens exported.

Mr. Schooling gives details of the growth of the exports of other countries, and says :

Now I have to examine the facts for the purpose of ascertaining who has been getting the trade that we failed to get.

As in the case of nearly every outside country the largest share of the increased exports represented British purchases and consisted mainly of food products, it is idle to inquire why the United Kingdom "failed to get" that export business. Then, as to the great bulk of the rest of the increased foreign exports, seeing that they also were food products or specialities, why should Mr. Schooling worry? The United Kingdom is a buyer not a seller of food products. A manufacturer, generally fully employed, need not get sore because he cannot accept orders which a farmer can. It is worth while pointing out that the manufacturers of the United Kingdom have often been so full of home orders that they have had to decline export orders. Thus in the year 1900 British exports were not so big as they would have been if the home business had not been so brisk ; for this reason many orders went to America and to Germany. Mr. Seddon, the Premier of New Zealand, speaking in the House of Representatives, on August 3rd, 1900, said :—

They had increased the British area by millions of miles during the last few years ; they had, of course, increased the population under British rule ; but the British manufacturers had not increased their trade in the same ratio, and they were not able to supply the increased demand that they had been called on to provide for. The Government had proved that in New Zealand themselves. They wanted locomotives for this colony, and they could not get them from British makers into New Zealand under eighteen months or two years ; they wanted railway machinery, and could not get it ; they wanted rails, and could not get them. They had practically to look twelve or eighteen months ahead before they could get supplies from the Old Country. They then went to America, and orders that the English manufacturers wanted eighteen months to fulfil, they got from America in six weeks or three months.

Orders for locomotives, machinery and rails for a big cash buyer are in ordinary times eagerly sought after, yet so full of orders were the British makers that they were unable to supply New Zealand. In this way orders for locomotives and other railway plant running into six figures ultimately appeared in the United States export returns instead of in the British. Since that occurred the position appears to have been reversed, for United States workshops have been too full, causing orders to go to the United Kingdom. Such facts as these are to be remembered in considering export returns.

There are numerous statements in regard to British exports based on some fallacy or other, but they must be passed. Many writers appear to be quite overcome by the impudence of other countries in daring to manufacture certain goods for which Great Britain has a name. It might do these people good to remember that "purple and fine linen," for instance, were known ages before even the existence of Great Britain was known. Certainly whilst the extent of the commerce of the Empire is such that it causes the envy of other countries it need not cause any alarm in Great Britain.

CHAPTER VII.

THE EMPIRE VIEW OF IMPORT AND EXPORT RETURNS.

THOSE who assume to be interested above their fellows in the Empire, and in the unity of the Empire, ought to be capable of taking a broad, comprehensive view of the commerce of the Empire, but this is just what they do not appear to be capable of doing. They take the import and export returns of the United Kingdom and point to the fact that a certain country has sold, say, £10 worth of goods for every £8 worth it has bought, and there they leave the subject. When the firm of John Bull and Company has branches almost everywhere it would be better to find out the aggregate business, instead of simply that which is done at the headquarters, heavy though that may be. In all the complaints hitherto made about the effect of the tariffs of other countries it has always been the effect on British manufactures that has been specially spoken of. There has been no general examination of such tariffs in the light of the whole of the commodities which the Empire has to sell.

The moment this broader view is taken a greatly improved position unfolds itself. The United Kingdom is mainly interested in manufactures, the other portions of the Empire in food products and raw materials. Speaking generally the Rest of the World restricts imports of manufactures, and also restricts imports of food products, but welcomes imports of raw materials. As the United Kingdom itself cannot take all the surplus food products of the other parts of the Empire the restriction in this direction is of little consequence, but as the United Kingdom cannot take the whole of the raw materials the fact that the Rest of the World admits them—generally free of all duty—is singularly advantageous to the Empire, both as regards the United Kingdom and the colonies, including India.

If the Indian returns be looked at it will be found that, in 1900, India exported in the aggregate to Germany, Holland, Belgium, France, Austria, and the United States, commodities to the value of twenty millions sterling, and only imported from them to the value of between six to seven millions. India by these sales obtained a credit balance of between thirteen and fourteen million pounds sterling in the aggregate in these various countries, which became available towards the large amount of interest which India has to pay to Great Britain, and towards the cost of the large quantities of manufactured goods which India purchases from Great Britain in excess of the value of the commodities which Great Britain buys from her. If India could not sell to the Rest of the World the large quantity of commodities which she

does, she would not be able to buy as much British manufactures as she does.

If reference be made to the returns of Australia, a similar position is seen. Great Britain cannot take all the supplies of wool, etc., that Australia produces, but the continent of Europe comes to the rescue. Look at the wool export from the two States of New South Wales and Victoria in 1901 as compared with 1881 :—

		Wool Shipped			
		To Great Britain.		To foreign countries.	
		lb.		lb.	
1881	148,170,784	..	.. 6,274,323
1901	193,050,451	..	.. 154,944,211
Increase		..	44,879,667	..	.. 148,669,888

Of the shipments to other countries in 1901, France took 56·3, Germany 52·4, and Belgium 34·4 million lb. These figures are only part of the truth, for of the wool shipped to Great Britain a large portion ultimately also found its way to the continent of Europe. Considerable credits here again became available, this time to pay interest and to buy British goods for Australia.

These two illustrations prove the truth of the statement that if the Empire trade be looked at as a whole, the tariffs of other countries are not so prejudicial as they undoubtedly are when they are looked at merely in connection with the exports of the United Kingdom.

Naturally the preferential agitation has not escaped the notice of French and German residents in Australia. The Council of the French Chamber of Commerce of Sydney has, through the Consul-General for France, sent to the Prime Minister of the Commonwealth a series of resolutions referring to the subject. The concluding one contains the following statement :—

The average yearly value of the exports from France to Australia for the past three years (according to the official statistics) is about £510,000, and the average yearly value of Australian products bought by France is about £2,651,000.

With regard to German trade the Consuls representing Germany in Melbourne and Adelaide have prepared a detailed statement of the trade between Australasia and Germany. Of these the total figures only need be given :—

		German Imports from Australia.		German Exports to Australia.	
1878	£4,338,900	..	.. £1,643,200
1899	6,053,750	..	.. 1,892,500
1900	6,107,850	..	.. 2,395,950
1901	5,392,650	..	.. 2,611,300

As, in 1901, France relieved the British wool market of wool to the value of £3,431,860, and Germany did the same to the extent of

£2,995,197, nearly all of which was the product of Australasia, the gentlemen named only partially showed the strength of their case.

Those persons who suffer from nightmare by reason of the excess of imports in the United Kingdom may be comforted a little by looking at the complete Empire figures :—

	Imports.	Exports.	Excess of Imports.
United Kingdom ..	£528,000,000	£349,000,000	£179,000,000
Colonies and India ..	244,000,000	238,000,000	6,000,000
	<hr/> 772,000,000	<hr/> 587,000 000	<hr/> 185,000,000

The excess of imports, it will be seen, is relatively much smaller when the return for the whole Empire is examined.

The official figures that have been published have failed to do justice to the value to the colonies and India of the trade with other countries. In fact, Table IX., laid before the Conference, contained a gross inaccuracy. It purported to give the “trade of each British Colony and Possession with the United Kingdom, other British Possessions, and foreign countries respectively.”

In August this year a new table was published, and it is worth while comparing the two ; they are for the year 1900 :—

		First Table.	Second Table.
Imports from the United Kingdom ..	..	£117,000,000	£117,000,000
Imports from the British Possessions ..	..	32,000,000	46,000,000
Imports from foreign countries ..	..	95,000,000	81,000,000
		<hr/>	<hr/>
Total ..	..	244,000,000	244,000,000
		<hr/>	<hr/>
Percentage foreign imports ..	..	39	34
		<hr/>	<hr/>
Exports to United Kingdom ..	..	108,000,000	108,000,000
Exports to British Possessions ..	..	49,000,000	43,000,000
Exports to foreign countries ..	..	81,000,000	87,000,000
		<hr/>	<hr/>
Total ..	..	238,000,000	238,000,000
		<hr/>	<hr/>
Percentage of foreign exports ..	..	34	37

The mistake was made in connection with India. The effect of it was to reverse the position with regard to the trade with foreign countries, their sales being overstated and their purchases understated. The corrected table shows an excess of exports to foreign countries of 6 millions instead of an excess of imports of 14 millions.

The corrected table itself, however, needs correcting, there being important omissions in it. The trade of Hong Kong is omitted. It is true that there are no regular statistics of imports and exports available, but it would not be difficult to prepare approximate estimates. If the

export returns of the United Kingdom, India, Ceylon, Straits Settlements, and Australasia be looked at, they will show $10\frac{1}{2}$ millions (£) exports to Hong Kong, all which (*plus* freight) were imports there. The import returns of the same countries show 7 millions imports from Hong Kong, all which (*minus* freight) were exports there. All this is extra trade within the Empire, what there was besides with the Empire and what with foreign countries might surely be approximately estimated, at this time of scrutiny.

But this is not all. The returns take no notice in any way of the trade with Gibraltar, Malta, Cyprus, Malay Protected States, North Borneo, Sarawak, Solomon Islands, Gilbert and Ellice Islands, Zanzibar, East Africa, Somali Coast, Uganda, Central Africa, Territory South Africa Company, Bechuanaland, Southern Nigeria. These sixteen different possessions have an aggregate import and export trade quite worthy of notice, probably not far from fifteen millions of imports and the same of exports. This does not exhaust the omissions; the figures for India only give the trade by sea, that by land not being included. The Statistical Abstract, however, shows, in 1901, imports by land, £4,276,584; exports by land, £3,617,448.

If all such trade as here mentioned were included, it would make a useful addition to the bulk of the colonial trade, and it would show still more vividly the extent of the trade with foreign countries, and the value this is to the Empire outside Great Britain, and it would also show how effectively Great Britain itself is helped by foreign tariffs in fighting foreign tariffs.

CHAPTER VIII.

BRITISH SHIPPING.

IN considering the subject of British commerce, it is impossible to dissociate it from the position and importance of British shipping. Any policy calculated to affect commerce must affect shipping also. The interests of the two are entwined, and the records of the two ought to be read together. The following figures are of the highest interest:—

Imports and exports, United Kingdom	1880. £698,000,000	1900. £877,000,000	Increase. 26 per cent.
Shipping registered in the United Kingdom	1,000 Tons. 6,575	1,000 Tons. 9,304	41 „
British shipping entered and cleared in the United Kingdom	41,349	62,711	51 „

The actual increase of British shipping—the carrying power—is much greater than here shown; since, roughly, the sailing tonnage has been halved and steam tonnage doubled, therefore, though the registered tonnage shows an increase of as much as 41 per cent., the carrying power probably shows the great increase of not less than 90 per cent. The carrying power of British shipping has thus increased between three and four times the percentage of increase shown in the value of imports and exports. The question that naturally arises is, What is the explanation of this discrepancy; what becomes of all this apparently surplus tonnage? The answer is a three-fold one.

In the first place. Although the imports and exports only show a growth of about one-fourth, they have actually increased in bulk, probably by one-half. The heavy fall that has taken place in the value of many commodities, food especially, has brought about a greater employment of tonnage than is disclosed by the mere statistics of value.

In the second place. The proportion of tonnage employed in long voyages is continually increasing. An increase of a million in the trade between Europe and Great Britain is good, but an increase of a million in the trade between Australia and Great Britain is better, because it means several times as much employment for tonnage. Whilst one vessel might in the course of a year bring a large quantity of produce from a near European port to Great Britain, it would require, perhaps, ten vessels of a similar size to bring the same amount of cargo from Australia.

In the third place. Shipping is now less dependent on freight traffic than formerly; the passenger traffic has gradually reached dimensions of an important character. With a good passenger list, a big steamer may be run with holds half empty, and yet return some profit to her owners. The number of people who now take extended

trips, tours round the world, etc., for pleasure and for health is considerable. The comfort and safety associated with life on board the big liners draw many passengers; they delight in the change, especially as it may be enjoyed at a moderate cost. At the last annual meeting of the P. & O. Company, the chairman said the company's receipts from passenger traffic had been £1,218,936, which sum, he added, was almost double the revenue from the same source twenty years ago.

The employment of the truly wonderful amount of tonnage now registered in the United Kingdom is then explained by (1) the greater bulk of cargo in proportion to the value; (2) the greater number of long voyages, and (3) the greater passenger traffic. It is to be regretted that there are no figures available which make clear the earnings of British shipping, but it is clear enough that there has been a great increase in the last twenty years. The earnings of British shipping are, of course, connected with the excess of imports, which has now become so marked. There is only one reason why these ever-increasing earnings should be looked on with regret, that is because of the sorrow they have brought to a number of people; the bigger the earnings, the bigger the sorrow. As the hateful person, who lives over-sea, "dumps" his millions into the "dumping ground" (pardon the use of classical terms), and asks for nothing in exchange, because he is really only paying for services already rendered, the persons referred to are consumed with grief. Possibly they may some day, after having undergone operation for cataract, see the truth that is now hidden from them!

The earnings of shipping in the passenger traffic have probably now reached an aggregate far beyond ordinary expectations. If one company receives in fares nearly one and a quarter million, how many millions do all the passenger lines receive? The question cannot be made a rule of three, for the company specially referred to is pre-eminently a passenger line. To arrive at a reasonably approximate estimate detailed information is essential, and this information is not available to the writer. An estimate will probably be prepared in better informed quarters, and it can scarcely fail to throw a useful light on the subject of the excess of imports. Evidently British shipping has had a good time, but if certain statements, which are very freely and confidently made, are correct, foreign shipping has had a still better time. The following figures bear on this subject:—

TONNAGE OWNED IN THE COUNTRIES NAMED.

Country.	1889. 1,000 Tons.	1899. 1,000 Tons.	Increase	Tonnage.
United States*	1,022 ..	848 ..	174† —	17 per cent.
Germany	1,321 ..	1,738 ..	417 —	32 "
France	933 ..	958 ..	25 —	3 "
Belgium	70 ..	109 ..	39 —	55 "
United Kingdom	7,759 ..	9,164 ..	1,405 —	18 "

The figures for the two years are taken from the "Statistical Abstract" for 1901. As in the case of the United Kingdom, the improvement shown by foreign countries is really greater than the figures indicate—

* Foreign going only.

† Decrease.

sailing tonnage decreasing, steam increasing. Thus, in the case of Germany, the steam tonnage has grown from 618 to 1,150 thousands of tons, so that the increased carrying power is really substantial. But taking the whole of these figures, the position they indicate is remarkable. Notwithstanding the great lead possessed by the United Kingdom in 1889, the four foreign countries together increased their tonnage less than one-third of the British increase, so that at the close of the ten years the British lead was much greater than before.

The point of view of the entries and clearances must be looked at as well as that of ownership. The figures, on which the comparisons following are based, are taken from the report of the Colonial Conference, 1902 ;—

SHIPPING.—ENTERED AND CLEARED.

					National.		Foreign.		Excess National.	
					1,000 Tons.		1,000 Tons.		1,000 Tons.	
United Kingdom	..	..	1880	..	41,349	..	17,387	..	23,962	
				1899	..	65,649	..	32,134	..	33,515
Excess Foreign.										
United States	..	..	1880	..	6,218	..	14,329	..	8,111	
				1899	..	6,796	..	37,345	..	30,549
Germany	..	..	1880	..	5,109	..	7,958	..	2,849	
				1899	..	13,384	..	14,796	..	1,412
France	..	..	1880	..	7,522	..	17,510	..	9,988	
				1899	..	10,137	..	25,556	..	15,419
Belgium	..	..	1880	..	826	..	6,290	..	5,064	
				1899	..	2,831	..	14,323	..	11,492

Truly this is a remarkable exhibit for the United Kingdom. In the nineteen years covered by this return, foreign shipping entering and leaving British ports increased by 15 million tons, and yet at the end of the period it was found that the *excess* of shipping under the British flag was nearly 10 millions greater than at the beginning of the period.

The position as regards entries and clearances is not complete without the figures for the Colonies, India, etc. :—

SHIPPING ENTERED AND CLEARED.

Throughout the Empire—outside the United Kingdom.					
		British.	Foreign.		Excess British.
		1,000 Tons.	1,000 Tons.		1,000 Tons.
1880	..	45,376	..	10,937	34,339
1900	..	96,039	..	35,113	60,926

To this return there may very well be added another, giving the figures for the whole Empire :—

SHIPPING ENTERED AND CLEARED.

Throughout the whole Empire.*					
		British.	Foreign.		Excess British.
		1,000 Tons.	1,000 Tons.		1,000 Tons.
1880	..	86,725	..	28,324	58,401
1900	..	158,750	..	70,926	87,824

* The years and the tonnage are those of the Colonial Conference Report. The British excess was greater in 1899. In 1900 much British tonnage was chartered by the Government depleting the ordinary returns. 1902 shows large British figures.

It will be seen that the aggregate entries and clearances throughout the Empire in 1900 reached the enormous total of about 230,000,000 tons. These figures must be taken with a grain of salt, or, perhaps it would be better to say, with an explanation. This is all the more needed when it is seen that this aggregate includes 131 millions outside against 99 millions inside the United Kingdom. There is a great deal of duplicating. Thus, when a 10,000-ton steamer comes to Sydney, the port of New South Wales, she calls, as a rule, first at Perth, Adelaide, and Melbourne, and on her return from Sydney again visits the other three ports—so that she enters port seven times and leaves port seven times—a total of fourteen entries and clearances, equal to an addition of 140,000 tons to the tonnage returns by reason of one trip of a big steamer to Australia. It is needful to refer to this point, because by the help of this rather Munchausen-like method of recording tonnage, it is possible to paint a vivid picture of the “encroachments” of the foreigner, if half-a-dozen extra foreign steamers visit Australia.

This review of the position of British shipping yields surprising results. Probably the development that has taken place during the first twenty years in this direction has rarely, if ever, been surpassed in any branch of human enterprise. Had it taken place under a system of bounties, it would have been held to represent a great triumph for that system. Perhaps there is such a thing as being drunk with prosperity; when a man arrives at that stage of exhilaration his reasoning powers take a holiday. To argue with people who can find evidence of national decadence in these special figures is surely a waste of effort.

At the Colonial Conference Mr. Chamberlain appeared to be quite blind to a grave danger in connection with any agitation for dealing with the navigation laws. He was playing with a double-edged weapon. You cannot give support to restrictive measures without strengthening the hands and the efforts of those who believe in restriction and have the power to direct it against yourself. Mr. Chamberlain was well aware that the government of Sir Edmund Barton had placed on the statute-book of the Australian Commonwealth a postal Act prohibiting the giving of a mail contract to any company whose steamers carried any coloured labour, thus, for example, practically excluding the P. and O. Company, after the expiration of its present contract, from carrying mails from Australia. *This* Mr. Chamberlain already knew, and had he inquired he would have learnt that Sir Edmund Barton's Government contemplated legislation to prohibit both British and foreign vessels carrying either passengers or cargo from one port to another on the coast of Australia. It was to be done by making the payment of Australian wages compulsory, a proposal accepted as practically simply prohibition. Happily this measure has not yet been brought forward; when it is, the task of defeating it will be all the greater because of what took place at the Conference.

It is startling to find the Conference passing a resolution that “it is desirable the attention of the Government of the Colonies and the United Kingdom . . . should be called to the advisability of refusing the privileges of coastwise trade, including trade between the Mother

Country and its colonies and possessions, and between one colony or possession and another," to countries refusing privileges of coastwise trade to British vessels, when at least one member of the Conference was prepared to refuse coasting privileges to British vessels, even though done as a matter of wages. The information placed before the Conference showed that the coasting trade done in British waters by countries which refused corresponding privileges was of the most paltry description. To reserve that trade to the United Kingdom, whilst Australia reserved to herself her own coasting trade, would be ludicrous.

When once a Government makes up its mind to meddle it is difficult to know where the meddling will end. In February last—six months after the Conference closed—the Earl of Onslow, Under-Secretary for the Colonies, told the Edinburgh Chamber of Commerce, that trade with South Africa was being impeded by the high freights that were being charged, and that the Colonial Office would endeavour to secure a reduction to moderate rates, even if steamers had to be chartered for the purpose. If exorbitant freights were being charged, a public service was rendered by drawing attention to the subject, but obviously the course to pursue then was to show that the remedy lay in the hands of the people concerned, the merchants of London and South Africa. Any amount of rival tonnage could be chartered, foreign even if needful, far more than ample to break up any monopoly in twenty-four hours. A system of through freights, from any railway station in Great Britain to any railway station in South Africa could have been recommended: anything almost would have sounded better than the suggestion of chartering by a Government that had only a little while previously been paying exceedingly high rates for the conveyance of troops and stores to and from South Africa itself.

There certainly exists at present no direct attack on the shipping of Great Britain and no excuse for suggestions about fighting foreign shipping. Suppose the subject of the position of British shipping be looked at from the world's standpoint; that is, taking the whole of the foreign countries and treating them as one unit. How, then, does the aggregate of all shipping entrances and clearances divide, and look when divided, between the British Empire on one side and the Rest of the World on the other? First as to the aggregate:—

ENTRIES AND CLEARANCES.

					Tons.
Ports in the British Empire	..	..	..	..	230,000,000
Ports in the Rest of the World	..	..	..	..	360,000,000
Grand Total					590,000,000

Five hundred and ninety million tons! The returns of the Empire have already been divided between British and foreign flags, a similar division on a corresponding basis is, therefore, given for the Rest of the World; in each country the national shipping is shown, separate from the shipping under the other flags. The first thing that will be

observed is the small proportion of national shipping entering and clearing in foreign countries.

Taking the average, 28 per cent. of the shipping entering and clearing fly the national flag; whilst in the British Empire the national flag is carried by 69 per cent. That means that the Rest of the World can say to the British Empire, "You have the pleasure of knowing that out of every million tons of shipping arriving at and departing from your ports no less than 690,000 carry the British flag; in our countries on the average out of every million tons no more than 280,000 carry the national flag."

Travel further, investigate the ownership of the 258 million tons of non-national shipping in foreign ports. British? Mainly British. The Colonial Conference report shows the tonnage of British shipping arriving from Empire ports, deducting this from the total there is left the tonnage arriving from and clearing for foreign countries, and of course this tonnage represents the British shipping trading direct with the Empire, included in that 258 million tons in foreign ports. Then to that figure must be added the British shipping trading between foreign ports. The 258 millions divide as follows:—

TONNAGE ENTERED AND CLEARED IN OTHER COUNTRIES.* DIVIDED INTO
NATIONAL AND FOREIGN.

	National. Tons.	Foreign. Tons.
Russia	1,843,503	15,523,116
Norway	4,219,600	2,157,000
Sweden	6,271,049	10,113,708
Denmark	6,609,165	4,712,927
Germany	13,383,514	14,796,312
Holland	4,697,251	14,128,659
Belgium	2,831,033	14,322,924
France	10,137,277	25,555,535
Portugal	1,247,448	15,881,087
Spain	15,069,359	17,070,971
Italy	19,028,051	19,929,203
United States	6,796,012	37,344,878
Mexico	196	5,053,806
Chili	794,252	5,704,299
Uruguay	7,035	4,487,495
Argentine	4,468,717	10,838,735
China	615,367	10,377,348
Japan	2,853,723	4,986,694
	<hr/>	<hr/>
	100,872,552	232,984,697
Brazil, Turkey, Egypt, Peru, etc., say†	1 000,000	25,000,000
	<hr/>	<hr/>
Total	101,872,552	257,984,697

* Year 1899. Figures taken from the 1901 "Statistical Abstract" for foreign entries.

† No returns for these countries. This rough estimate is probably much too low.

COMMERCE AND THE EMPIRE.

	British. Tons.	Foreign. Tons.
The British tonnage arriving within the Empire from foreign countries must represent the British tonnage departing from foreign countries for the Empire—hence	128,000,000 ..	—
The National tonnage in foreign countries is 102 millions, as 72 with the British Empire, the difference is between foreign countries, and forms parts of the 258—hence.. .. .	— ..	30,000,000
A balance of 100 remains, representing further trade between foreign countries. Divide equally*	50,000,000 ..	50,000,000
	178,000,000 ..	80,000,000
Total	258,000,000	
The aggregate shows:—		
	British. Tons.	Foreign. Tons.
In the British Empire	159,000,000 ..	71,000,000
In the Rest of the World	178,000,000 ..	182,000,000
	337,000,000 ..	253,000,000
Grand Total	590,000,000	

This table shows that whilst foreign shipping enter and clear from ports in the Empire to the extent of 71 million tons ; British shipping enter and clear from the ports of the Rest of the World to the extent of 178 million tons. If any grumbling is to be done who should do it? Had the Briton not been born with a predisposition to grumble he might have been entirely happy with regard to shipping. It is evident that the Empire is enjoying an extraordinary proportion of the work of carrying cargo and passengers, not only for itself, but for the Rest of the World. If the figures point to anything at all they certainly point to the wisdom of exercising great care so as not to do anything to prejudice the shipping of the Rest of the World in whose ports the British Empire is reaping such a harvest. The suggestions which have been made for navigation laws, subsidies, bounties, etc., to fight foreign shipping seem to be entirely regrettable and uncalled for.

The trade that has been looked at is over-sea. Is it in the coasting trade that the foreigner is making himself conspicuous? It may be well to make sure. The following is the record of the coasting trade in the United Kingdom for the last three years:—

TONNAGE ENTERED AND CLEARED WITH CARGOES IN THE COASTING TRADE
OF THE UNITED KINGDOM.

	British. 1,000 Tons.	Foreign. 1,000 Tons.	British. Per cent.	Foreign. Per cent.
1900 ..	60,000 ..	425 ..	99·31 ..	00·69
1901 ..	60,401 ..	378 ..	99·38 ..	00·62
1902 ..	62,204 ..	376 ..	99·40 ..	00·60

* This division is an entirely arbitrary one, but it probably favours foreign shipping.

The foreigner, it will be observed, in the coasting trade of the United Kingdom is only conspicuous by his absence.

Then, what is the foreigner's position in the extended meaning of "coasting trade"? What foreign tonnage is to be found trading between the United Kingdom and other portions of the Empire? The figures herewith are from the Colonial Conference report : *

TONNAGE ENTERED AND CLEARED WITH CARGOES IN THE UNITED KINGDOM
FROM AND TO THE BRITISH POSSESSIONS.

		British.		Foreign.		British.		Foreign.
		1,000 Tons.		1,000 Tons.		Per cent.		Per cent.
1880	..	7,809	..	940	..	89	..	11
1890	..	8,858	..	1,097	..	89	..	11
1900	..	9,552	..	960	..	90	..	10

The same report also shows in another table the division of the tonnage trading from one Colony to another; by this the percentage of foreign is 14, and taking the whole of the divisions of the Empire—that is, the United Kingdom, the Colonies, India, etc.—the percentage of foreign is 12. Remembering the extent to which British shipping is employed between foreign countries this is very small.

It is, then, made quite clear that if any special legislation affecting navigation were passed, it would be the trading facilities of the Colonies rather than of the United Kingdom that would be affected. At the Conference Mr. Chamberlain very frankly said :

The navigation laws were repealed, I understand, largely at the instance of the Colonies. I believe it was complaints from the Colonies that competition was interfered with by our laws, which was the prime mover in the repeal of that legislation.

Under these circumstances it is inconceivable that the United Kingdom should reimpose laws which lessen the competition for the carrying of the commodities of the Colonies. If the profits which accrue from the presence of foreign shipping in Colonial ports were lost, the "complaints from the Colonies" would soon be revived. Better let well alone.

* Appendix No. 20.

CHAPTER IX.

RE-EXPORTS IN GREAT BRITAIN.

THE re-export trade of Great Britain is very important and valuable ; it is built into the commercial system of Great Britain. Sixty-five millions of re-exports *plus* 10 millions of transshipments mean a total of 75 millions brought into the United Kingdom, and the same amount taken out—equal to 150 millions in all. The employment to shipping here disclosed is great, and the bulk of such employment goes, of course, to British shipping. The employment, too, in handling—in landing, carting, warehousing, delivering, reshipping, etc.—represents an aggregate sum which brings comfort into thousands of humble homes, all British.

The re-exports indicate the fact that Great Britain is the world's emporium and financial centre. Commodities are drawn from all the ends of the earth to be sold, and they are redistributed as buyers are found : a commerce in which bankers, merchants, brokers, warehousemen and others gain much profit. This class of business has its headquarters in London, the hub of the commercial world. Fancy, London and a restrictive tariff ! Surely never till common sense commits suicide.

If a new fiscal system were introduced, a system of general tariff taxation, commodities could be placed in bonded instead of free warehouses, and be re-exported as at present, but the change would entail increased charges, and increased charges would inevitably tend to lessen the business. There are many lines of steamers running which are largely sustained by the movements of re-export goods ; to check the movements of these goods is to injure the shipping trade and to aim a blow at the enviable position Great Britain now holds. Every commercial man knows how small a change will often influence the direction of trade. It is, of course, natural for all countries to desire to secure direct supplies. Years ago the European woollen trade bought most of its wool in London ; now the buyers come to Australia and purchase wool, which is shipped direct to European ports. This has been facilitated by the establishment of French and German lines of steamers. Considering the great changes that have come about, of which wool is only one illustration of the extent to which direct has replaced indirect trade, it is simply remarkable that the volume of re-export trade in Great Britain is sustained. In the fifties the highest value reached in one year was 25 millions, in the sixties it averaged 45 millions. Since those years there has been a fluctuating increase, the trade standing at an average of 65 millions for the years 1900-1-2. The fall in the price of commodities the past twenty years has, however, been so great that

an actual increase of bulk of a marked character has taken place. As the profits of this business, carrying, handling, are to be measured by bulk rather than by value, this is important.

Proportionately the Colonies send, and foreign countries take, the largest amount of the re-export goods, and it is singular that those foreign countries which take the largest quantities are those whose tariffs are the most unfriendly. The mutual benefits that arise from commerce are here made clear: the Colonies, Great Britain, and other countries all benefit. This special branch of Britain's trade is too important in itself and too useful in connection with other branches for any stirring up of international strife to be viewed without alarm.

CHAPTER X.

GREAT BRITAIN AND THE SELF-GOVERNING COLONIES.

IT has of late years been affirmed in certain quarters that the United Kingdom has not, since the free-trade era, helped the new and growing portions of the Empire as she should have done ; that, in fact, she has been indifferent, has withdrawn benefits they formerly enjoyed, and has treated them no better than she has treated foreign countries. These statements have mainly been made by Canadians. Dr. Parkin says :—*

The system by which each self-governing division of the Empire regulates trade policy in accord with what it conceives to be its own interest, treating other parts of the Empire exactly as it does foreigners, was not initiated by Colonists, but by the people of the United Kingdom, in connection with the adoption of free trade in 1846. Previous to that period mutually beneficial trade relations, both as regards exports and imports, existed between the Mother Land and the Colonies. Many of the Colonies—and especially Canada—protested vehemently against this change of national policy, and suffered severely from the completed reversal of the trade relations which had previously existed.

The same writer also says that it is asked in the Colonies :—

How can we unite more closely with a Mother Land which in trade matters makes no distinction between her greatest enemy and ourselves ?

The Hon. Geo. W. Ross, Premier of Ontario, in a letter written in 1901 to Lord Avebury, referring to Canadian trade, says :—

Our trade with Great Britain is greater to-day than ever, not because of anything the British Government has done for us, but because of our own enterprise and the investments of our own capital.

Mr. J. G. Colmer, in his *Statist* prize essay, says :—

They (the Colonies) cannot be said to have received any special encouragement from the parent country. This statement has sometimes been criticised but its truth cannot be denied.

. . . The Mother Country has extended the same commercial treatment to the Colonies as to foreign countries since the developments that followed the repeal of the Corn Laws.

These three writers are Canadians. It would be a matter of lasting regret if it could be shown that British communities abroad

* "Imperial Federation," page 280.

had suffered through the present commercial policy of the United Kingdom. It is worth while, therefore, looking somewhat closely into the matter : examining British policy with regard to the British beyond the seas in the old days before free trade was introduced and then extending the inquiry over the period since the new policy came into operation. It may unhesitatingly be affirmed that the development and the prosperity which to-day may be found under the British flag in so many parts of the globe are very largely the outcome of British fiscal policy combined with the use of British capital. It may further be affirmed without hesitation that this development and prosperity would have been impossible of attainment had these new lands lived under the flag and policy of any other nation under heaven.

As to the past. What was the spirit that animated British policy ? What were the conditions under which commerce was carried on with the new communities ? It may safely be said that that spirit was one of absolute selfishness, and that those conditions tended to prevent, rather than encourage, enterprise ; delayed, rather than stimulated, prosperity. The early settlers, the pioneers, the heroes of the dawn of British rule in the new lands, were taught, by bitter experience, that the Old Country had to be considered first, last, and every time. Certainly in some cases, and at some times, the tariff gave a preference to goods from a British Colony over goods from an outside country ; but, as a rule, at the bottom of this usage was the purpose of safeguarding the British capitalist and none other.

The greatest of all the British Colonies were those which have since developed into that great nation the United States of America. This is what Bancroft, the American historian, says of the usage to which the American Colonies were subjected by British policy :—

American independence, like the great rivers of the country, had many sources, but the head-spring that coloured all the stream was the British Navigation Act. . . . This odious measure provided that no commodities whatever, being the growth, product, or manufacture of Asia, Africa, or America, should be imported into England or her Colonies except in ships belonging to British subjects, and of which the master and the greater part of the crew were also English. Subsequently the ordinance was re-enacted with additional clauses, virtually excluding foreign ships from American harbours, and sacrificing to English monopoly the natural rights of the Colonies.

Further he says :—

In 1699 the British Parliament prohibited the Colonies from exporting wool, jam, or woollen fabrics, and from carrying them coastwise from one Colony and place to another. In 1719 Parliament declared that the erection of manufactories in the Colonies tended to lessen their dependence on the Mother Country ; and the English manufacturers memorialised Parliament that the Colonies were carrying on trade and erecting manufactories, with a view to obtaining legislation to arrest it. In 1731 the Board of Trade was instructed to inquire as to the Colonial laws made to encourage manufactures, as to manufactories set up, and as to trade carried on in the Colonies and to report thereon. In 1732 it reported that Massachusetts had passed a law to encourage manufactures ; that the people of New York, Connecticut, Rhode Island, and Maryland had fallen into the

manufacture of woollen and linen for the use of their own families, and of flax and hemp into coarse bags and halters, all of which interfered with the profits of the British merchants. The Board recommended that the minds of the people of those Colonies should be immediately diverted, and a stop be put to it, or the practice would be extended. The same year Parliament prohibited the exportation of hats from the Colonies, and trading in them from one Colony to another by ships, carts, or horse. No hatter should set up in business who had not served seven years, nor have more than two apprentices; and no black person should work at the trade. Iron mills for slitting and rolling, and plating-forges, were prohibited under a penalty of £500. This system of prohibition and restriction continued to increase till the Colonies rebelled, and declared independence in 1776.

Under such circumstances rebellion became a sacred duty, the natural harvest of the seed that had been sown.

The following is an extract from Macgregor's official report on the United States:—*

1718. Import Bill of Massachusetts. An import Bill was passed by the legislature of Massachusetts, which laid a duty on West Indian goods and wines, and on English manufactures and a duty of tonnage on English ships. The duty on English goods was 1 per cent. Before the session in May, next year, the Governor received instructions from the King to give all encouragement to the manufactures of Great Britain, and afterwards received a reprimand from the Lord Justices, the King being absent, for consenting to the duty on English goods, etc. The Court, on receiving official notice of this reprimand, readily acknowledged that the exceptions taken to that clause in the Bill were just and reasonable.

To-day a Colony may put a prohibitive duty on goods which are a specialty of English manufacture, whilst less than two centuries ago a duty of even 1 per cent. brought a reprimand. The same writer also says:—†

1699. Wool manufactures of America. Complaints being made in England that the wool and woollen manufactures of North American plantations began to be exported to foreign markets, formerly supplied by England, a law was passed by which no person might export in ships, or carry by horses into any other place or Colony out of the King's dominions, any wool or woollen manufactures of English plantations in America, under forfeiture of ships and cargoes, and also of £500 penalty. This is the first notice in the English statute laws of woollen manufactures in the Colonies.

Here is an extract from Mr. McCulloch's "Commercial Dictionary":—‡

Besides compelling the colonists to sell their produce exclusively in the English markets, it was next thought advisable to oblige them to buy such foreign articles as they might stand in need of entirely from the merchants and manufacturers of England. For this purpose it was enacted, in 1663, that "no commodity of the growth, production, or manufacture of Europe shall be imported into the British plantations but such as are laden and put on board in England, Wales, or Berwick-upon-Tweed, and in English-built shipping, whereof the master and three-fourths of the crew are English." The preamble to this statute, which effectively excluded the colonists from every market for European

* Page 66.

† Page 965.

‡ Page 349.

produce except that of England, assigns the motive for this restriction to be "the maintaining a greater correspondence and kindness between the subjects at home and those in the plantations; keeping the Colonies in a firmer dependence on the Mother Country; making them yet more beneficial to it, in the further employment and increase of English shipping, and the vent of English manufactures and commodities; rendering the navigation to and from them more safe and cheap; and making this kingdom a staple, not only of commodities of the plantations, but also of the commodities of other countries and places for their supply, it being the usage of other nations to keep their plantation trade exclusively to themselves."

It was also a leading principle in the system of Colonial policy, adopted as well by England as by the other European nations, to discourage all attempts to manufacture such articles in the Colonies as could be provided for them by the Mother Country. The history of our Colonial system is full of efforts of this sort; and so essential was this principle deemed to the idea of a Colony that Lord Chatham did not hesitate to declare, in his place in Parliament, that the British Colonies of North America had *no right to manufacture even a nail for a horseshoe!* (Edward's "West Indies," Vol. ii., p. 566.) And when such were the enactments made by the Legislature, and such the avowed sentiments of a great parliamentary leader and a friend to the Colonies, we need not be surprised at a declaration of the first Lord Sheffield, who did no more, indeed, than express the opinion of almost all the merchants and politicians of his time, when he affirmed that "the only use of American Colonies or West India Islands is the monopoly of their consumption and the carriage of their produce."

The quotation speaks of an enactment in the year 1663, but it was probably about a hundred years later when Lord Chatham—he died in 1778—made the declaration referred to, well on in the eighteenth century. It is no use piling up instances of the cruel and selfish legislation of the British Parliament in regard to British over-sea communities, but it may be worth while to recall something of the treatment meted out to Ireland; because if Ireland was treated badly, Canada and other Colonies were not likely to be treated well. And, also, because it will be seen that the Colonies were not allowed to trade with Ireland, except to a very limited degree.

Customs Tariffs of the United Kingdom—really a history of British tariffs—compiled in the London Custom House and presented to Parliament in 1898, gives a great deal of information on the subject of British legislation in regard to British trade. The following is an extract:—

The commercial code of Ireland stood at the beginning of the eighteenth century in a condition which was most unfavourable to the development of those industries and trades as to which her natural resources and geographical position would have best fitted her to compete successfully with other countries. Situated in the direct highway from the British American plantations to the Mother Country and the civilised communities of Europe, she might not receive, by direct importation, the produce of those settlements. A pastoral country by climate and soil, she might not export her farm produce or her cattle to the market of her great neighbour. Her coasts indented with magnificent harbours, yet her mercantile marine was shut out from the enormous privileges secured by the Navigation Act to English ships. Successful as growers and manufacturers of wool, she might not export a yard of the produce of her looms to any country whatever; and even in her painfully built-up linen manufactures she was obliged, in days when free trade was unknown, to share British and foreign markets with her English and Scotch competitors, though they were protected from her competition with their woollen trade.

Whilst Great Britain would not allow Irish produce that competed with hers to be landed at her own ports, she was willing for such commodities to be shipped to the Colonies, at the same time she refused Ireland the right to export thereto any of her woollen manufactures. She also would not allow the Colonies to ship goods direct to Ireland. Mr. Hutchison, Provost of Trinity College, Dublin, in 1779, published a work on the Commercial Restraints of Ireland, the following extract from which is given in the Customs Tariffs of the United Kingdom:—

Money cannot be expected for our (Irish) goods there (in the Colonies); we must take theirs in exchange, and this can never answer on the terms of our being obliged to pass by Ireland, to land those goods in England, to ship them a second time, and then sail back again to Ireland.

Legislation such as pointed at here injured both the Colonies and Ireland, and could never have been assented to if the interests of either had been a source of genuine concern to the Mother Country. It was not till 1780 that trade between Ireland and the Colonies was put on the same footing as between Great Britain and the Colonies.

But it is alleged, at the time when the United Kingdom adopted free trade, these new communities enjoyed certain preferences as against foreign countries, and the removal of such preferences was a blow to them. Of course. It is only human nature to accept all advantages and to grumble at any disadvantage that may accompany them. A Treasurer who remits a vast amount of taxation will not thereby save himself from keen attack in connection with a relatively trifling impost, and the statesmen who paved the way in the "forties" for future development in the Colonies did not escape attack from those who lost, or thought they lost—it counts all the same—any advantage or privilege. The people of, say, Canada as a whole, however, will have little difficulty in making up their minds as to whether or no the changed policy of Great Britain was a help to them.

What was the position shortly before the free trade era; what were the advantages that are now mourned? It may be said without the least hesitation that Great Britain did not grant one single privilege or advantage to any of her young communities that could in any way clash with the interests of people—that is, protected people—actually resident in Great Britain. Certain commodities which she did not and could not produce herself she admitted at relatively very low rates when imported from the Colonies as compared with the rates when imported from foreign countries. The two principal commodities so admitted were sugar and timber. The West India Islands were the seat of the sugar industry; but no British labour, only British capital, was here employed. Connected as the industry was with the slave trade, it covers a page of British history of which no one can be proud. For years after the slaves—at a cost of twenty million pounds—had been freed an enormous discount off the ordinary rates of duty was still granted; the consumers of sugar in Great Britain being heavily taxed for the benefit of owners of the sugar estates—mostly residing in Great Britain itself. But even in regard to sugar the true spirit of the

old fiscal policy had to show itself, as will be seen by the following extract from McCulloch's "Commercial Dictionary":—

We also thought fit to interdict the West Indies from the refining, or, as it is technically termed, the claying of sugar. This is one of the few manufactures that might advantageously be set up in the Islands. The process adds considerably to the value of sugar; and it might be carried on in the buildings, and by the hands that are required to boil the cane or prepare the raw sugar. Instead, however, of being allowed to refine their sugars on the spot, and where it might be done for a third part of the expense that is required in England, the planters were prohibited from engaging in this branch of industry, and obliged to export all their sugars either raw or crushed to England.

So much for sugar. Now with regard to timber.

Supplies of British timber became exhausted in the sixteenth century and importations became a necessity. There being no British timber to "protect," the Customs duty on imported was purely a revenue duty, and Great Britain became willing to give Canada the advantage of very heavy reductions on the rates paid on foreign timber. It was not till the beginning of the nineteenth century, however, that this position developed. There is no doubt that for those actually engaged in the lumber trade, as it was called, the tariff preference secured considerable profits for a good many years. Whether Canada, as a whole, was benefited is another question. There is a strong body of evidence to the effect that the results not only were not beneficial but were actually injurious to the best and permanent interests of Canada. The following extract is from McCulloch:—*

It was objected to the abolition of the discriminating duties on timber, that it would be injurious to Canada and the shipping interest. We believe, however, that the injury was not nearly so great as has been represented—that it was, in fact, quite inconsiderable. . .

Mr. Richards, who was sent out by Government to report on the influence of the timber trade, represented it as most unfavourable, and observed that "when time or chance shall induce or compel the inhabitants to desist from this employment, agriculture will begin to raise its head." The statement of Captain Moorsom in his "Letters from Nova Scotia" are exactly similar. He considered the depression of the timber market, although a severe loss to many individuals, "a decided gain to the Colony," from the check it gave to the "lumbering mania." . . . The fact is, that in so far as the interests of the Colonies are concerned, it is plain they did not really lose by the repeal of the differential duties on foreign timber.

An amusing error with regard to the timber duty occurs in Mr. Colmer's prize essay on Commercial Federation. He gives, page 43, "some instances" of British "preferential treatment." This is one:—

Timber, British Possessions. About 700 to 1,000 per cent. less than foreign countries.

* "Commercial Dictionary," Timber.

Of course neither £1,000 nor even £700 can be taken off £100. As a matter of fact, the difference allowed was very great, the duty on colonial might have been not unfairly represented as only from 7 to 10 per cent. of that on foreign. It seems quite safe to say that it is in the very nature of things for anything partaking of the character of a Government bounty to attract people. It is a gold mine, or thought to be such, and a gold mine, in proportion to its supposed richness, draws people from other occupations, and this withdrawal from, or lessened attention to, ordinary industries may lessen the reward of capital and labour more than the gold mine increases them. So, probably, it was with Canada and the British timber duty preference. Probably also, after all, the British shipping gained more than Canadian lumbermen: the shipowners warmly opposed the arrangement, and they were people who counted.

Next in importance to sugar and timber probably corn is to be reckoned. What a labyrinth the British Corn Laws were! But certainly here, if anywhere, centred the full strength of restrictionist policy. The landed proprietor of Great Britain was also the ruler of Great Britain. The landlord exacted all the rent he thought the farmer could pay, and to sustain the ability to pay rent he used his political power to the utmost to prevent the farmers of other lands competing with his tenants. Nothing can be more mistaken than any belief that the British Corn Laws were of advantage to the Colonies. They were distinctly intended to prevent any importation of wheat and other grain. The difference in the rate "from British Possessions" was of a very illusory character. To-day the position of the British wheat market is practically as well known in every wheat-producing country of the world as in Great Britain itself, thanks to the electric telegraph; and steam tonnage can quickly and to great amount be moved to any part of the world from which it is desirable to bring supplies. Go back to the "thirties," the "forties," when there were no steamers and no telegraphs, and it will be easy to understand what a will-o'-the-wisp sort of thing this preference must have been to the colonial farmer, and no wonder will arise that figures such as the following were to be found in the British records:—

WHEAT CLEARED FOR CONSUMPTION.

Year.	Foreign Wheat.		Colonial Wheat.	
	Quantity: quarters.	Average duty. s. d.	Quantity: quarters.	Average duty. s. d.
1831	1,102,451	4 4	103,347	2 0
1832	165,872	27 7	160,035	5 0
1833	1,005	33 11	59,985	5 0
1839	2,500,045	4 11	32	0 6
1840	2,011,773	7 2	4,703	4 0
1844	778,787	17 2	40,975	4 7

Preference that resulted in this sort of thing could only be looked on as a delusion and a snare. It is singular that Mr. Colmer, in the *Statist*

prize essay, should venture to quote the British Corn Laws as supporting his conviction that Great Britain gave a kindly consideration to the Colonies that to-day she will not give. Amongst other references he says, "Even in the famous Act of 1846 practical discrimination was made in favour of wheat imported from the Colonies," and he seems to think that the rates of the 1846 tariff lasted till 1849. As a matter of fact, exactly seven months afterwards, January 26, 1847,* the duty was suspended till September 1; the duties on other kinds of grain were also suspended, and in regard to most of them the suspension lasted till March 1, 1848. The duties were several times suspended under pressure from a starving people, and several other times Acts were passed under which bounties were actually paid on exportation when, wheat being plentiful, the price fell below a certain point.

It is also true that certain discriminations appeared in the "forties" on the tariff in regard to butter and cheese. But these were entirely a dead letter, for science had not at that time made it possible to transmit these articles for many thousands of miles without damage.

The interests of wealthy British shareholders, who were largely great landowners and members of the House of Lords, in the Hudson's Bay Company, and in the East India Company, led to preferences being granted to commodities in which they were concerned. These reductions of duty of course stimulated trade, and so far they benefited the exporting communities, but great care was taken all the time that the preference should not be granted where an article was improved by any manufacturing process—to the danger of the British manufacturer; *he* had to be "protected" all the time. Thus, skins and hides: there was one set of duties for the undressed and another set for the dressed, about one-half in either case being taken off on imports "from British Possessions," but the rate that had to be paid on the dressed was generally several times that on the undressed—so that every care was taken to prevent the tanning industry growing in the Colonies.

There is also one other branch of the British tariff to which reference need now be made; that is meat—dead and alive. From 1823 to 1842 the importation was absolutely prohibited of the following: cattle, pigs, mutton, sheep, beef, pork. None of these might be imported from anywhere during the twenty years named; but the prohibition excepted heavily salted meat.

With regard to these salted meats the duty was the same wherever produced. The prohibition was removed in 1843, and various duties were imposed, of which one-half or more was remitted on imports from the Colonies. In 1846 all the items were placed on the free list. The remark made about butter and cheese applies equally here, viz.:—it mattered nothing to the Colonies whether these goods were prohibited absolutely, and it mattered nothing if they were on the tariff at comparatively nominal rates of duty, because science had not yet found means for the safe conveyance either of live animals or fresh meat over thousands of miles of ocean.

Having made a careful survey of the field of commerce in the days

* "Customs Tariffs of the United Kingdom," 1897.

when the restrictionist policy ruled the British tariff, it is clear that not one jot or tittle of that policy was ever given up for the sake of any colony. It is also true that, taken as a whole, the reductions that were made in various duties on goods from British Possessions were made rather for the advantage of British investors and British shipping than with any honest desire to promote the well-being of these young offshoots of the nation.

In the year 1850 the North American Colonies had a total population of about two-and-a-half millions, Australia and New Zealand about half a million, and South Africa about four-tenths of a million. The financial position generally was a cramped one, and development generally of a primitive kind. Soon after the advent of the free-trade era came the gold discoveries, railways, steamships, telegraphs, of which developments any one alone would have tended to awaken enterprise, but which, coming together, or within a few short years, altered the conditions of life, the extent and the possibilities of commerce, in a way truly marvellous. In every country, whatever its fiscal policy, there was a quickening of commercial movements, a growth in wealth, and an improvement in social conditions. So far as the British Empire, or sections of it, are concerned, it is easy to claim for the change in policy results which spring from discovery and invention. But on the other hand, how easy it is to ignore the great truth that it was the free-trade era that gave to discovery and invention their opportunity!

It will be well to trace the growth of self-governing Colonies during recent years, with a view to see whether or no there is not overwhelming proof that the changed fiscal policy of Great Britain has been the main factor in the advances which have been made.

First of all the records and position of

NEW ZEALAND

claim attention, as the geographical isolation of that country gives unusual value to her statistics, they are so completely self-contained. The pastoral industry was the first important one. Early in the "sixties" gold was found; after ten years the yield exceeded an average of two million pounds sterling. New Zealand early proved a great centre of attraction for the British investor, the total of the investments made being very considerable. That Colony led all Australasia in the matter of public borrowings, and altogether what with production united with a rapid inflow of capital the New Zealanders for a number of years had a very fine time. For their produce the open market of Great Britain offered money, and for their speculations the capitalists of Great Britain offered money. But the very extent of the wealth that seemed everywhere sowed the seeds of disaster, and early in the "eighties" a bad time began; the British investor wished rather to recall money than to invest more, property fell in value, capital shrank in volume, and employment became difficult to obtain even at low wages.

Twenty years have passed since then and another change has taken place. New Zealand is this year, and has been for several years, enjoying considerable prosperity. What has occurred in this

interval to bring it about? In this interval New Zealand imposed a severe restrictionist tariff, and to many people that is the all-sufficient answer to the question. The truth lies in a very different direction, as can be made very clear. That there may be no doubt on the subject the matter will be dealt with at some length. The prosperity of New Zealand as it exists to-day has been most unmistakably made possible by, and has resulted from, the open markets—the free-trade policy—of Great Britain.

First of all the complete import and export returns may be looked at:—

NEW ZEALAND.

IMPORTS AND EXPORTS.

		Imports.		Exports.		Excess		Excess
		Mill. £.		Mill. £.		Imports.		Exports.
						Mill. £.		Mill. £.
1881	..	7.5	..	6.1	..	1.4	..	—
1882	..	8.6	..	6.7	..	1.9	..	—
1883	..	7.9	..	7.1	..	.8	..	—
1884	..	7.6	..	7.1	..	.5	..	—
1885	..	7.5	..	6.8	..	.7	..	—
1886	..	6.7	..	6.6	..	.1	..	—
1887	..	6.2	..	6.8	..	—	..	.6
1888	..	5.9	..	7.7	..	—	..	1.8
1889	..	6.3	..	9.3	..	—	..	3.0
1890	..	6.3	..	9.8	..	—	..	3.5
1891	..	6.5	..	9.6	..	—	..	3.1
1892	..	6.9	..	9.5	..	—	..	2.6
1893	..	6.9	..	9.0	..	—	..	2.1
1894	..	6.8	..	9.2	..	—	..	2.4
1895	..	6.4	..	8.6	..	—	..	2.2
1896	..	7.1	..	9.3	..	—	..	2.2
1897	..	8.1	..	10.0	..	—	..	1.9
1898	..	8.2	..	10.5	..	—	..	2.3
1899	..	8.7	..	11.9	..	—	..	3.2
1900	..	10.6	..	13.6	..	—	..	3.0
1901	..	11.8	..	12.9	..	—	..	1.1

The financial and commercial history of New Zealand since 1881 may be read in these figures. When the "eighties" arrived the inflow of capital still continued fairly heavy, for it covered not only the actual excess of imports over exports, but that excess *plus* the interest on prior importations of capital. This interest undoubtedly exceeded two millions, but taking it at that sum the new capital obtained in 1881 and 1882 was well on to four millions each year. The tide, however, had turned, and before the "nineties" arrived New Zealand was exporting three millions in excess of her imports, which meant, practically, that she was paying for her imports by her exports and not only that but was also exporting enough to pay her interest. During these years much private capital was withdrawn, but the Government borrowed sufficient to counterbalance this withdrawal. The pluck with which the New Zealanders met the hard times can be seen easily by the export returns, for they show that

within ten years they increased their production and exports by 50 per cent., and within twenty years by more than 100 per cent. As the "nineties" went on and the new century approached, the production and export had got large enough for New Zealand to indulge in bigger imports, and then everyone found that New Zealand was a good land, and financially safe and sound.

It is worth while pointing out that the experience of New Zealand in the matter of enlarged imports is also the experience of the whole of the Australian States. Any considerable enlargement in the volume of imports, whether arising from an accession of capital or from increased sales of produce, or from both causes combined, has invariably been the accompaniment of increased prosperity. And further, and more noticeable still, a great increase in the imports, which are mainly manufactured goods, has always been accompanied by an enlarged demand for local manufactures and a considerable increase in the number of hands locally employed in manufactories.

Every one will readily admit that it is idle to produce or to export goods for which no market can be found. New Zealand, in her time of distress, found the great market of the United Kingdom wide open for all the produce she could send, and she had enterprise enough to enter courageously on new lines of industry for the supply of that market. Look at the record of trade in the export of frozen fresh meat:—

EXPORTS OF FROZEN MEAT.

Year.	Quantity. Million lb.	Value. £
1881	—	—
1882	1·7	19,339
1883	9·9	118,328
1884	28·4	345,090
1885	33·2	373,857
1886	38·8	427,193
1887	45·0	455,870
1888	61·9	628,800
1889	73·6	783,374
1890	100·9	1,087,617
1891	110·2	1,194,724
1892	97·6	1,033,377
1893	100·3	1,085,167
1894	114·8	1,194,545
1895	127·0	1,262,711
1896	123·6	1,251,993
1897	157·7	1,566,286
1898	173·8	1,698,750
1899	209·0	2,088,856
1900	206·6	2,123,881
901	208·0	2,253,262

Why was all this meat shipped, and, being shipped, how came it to be worth all this money? Clearly the New Zealand restrictive tariff had nothing to do with it. The closed ports of various foreign countries do not explain it, but the open ports of the United Kingdom account for it. Then look at this further table:

EXPORTS, BUTTER, CHEESE, ETC.

Year.	Butter.	Cheese.	Provisions, tallow, timber, etc.
	£	£	£
1881 ..	8,496	6,112	574,880
1882 ..	52,038	10,130	921,290
1883 ..	42,020	6,892	1,121,257
1884 ..	66,593	25,074	1,116,799
1885 ..	102,387	35,742	1,154,819
1886 ..	105,537	45,657	1,058,552
1887 ..	54,921	54,562	1,035,468
1888 ..	118,252	78,918	1,274,780
1889 ..	146,840	67,105	1,606,828
1890 ..	122,701	84,986	1,440,731
1891 ..	150,258	86,675	1,436,671
1892 ..	227,162	91,042	1,200,525
1893 ..	254,645	99,626	1,113,799
1894 ..	251,280	115,203	1,112,233
1895 ..	227,601	150,909	1,269,031
1896 ..	281,716	130,166	1,269,680
1897 ..	402,605	150,517	1,389,398
1898 ..	403,690	135,776	1,562,834
1899 ..	571,799	141,818	1,645,313
1900 ..	740,620	229,111	1,784,350
1901 ..	882,406	238,685	1,935,567

The "New Zealand Year Book," 1902, says : "Of the butter exported in 1901, £740,980 were shipped to the United Kingdom ; of the cheese exported, £168,159 were sent to the United Kingdom." Nearly the whole of the balance went to Australia, which was suffering from drought. In ordinary years the United Kingdom took larger proportions still of these exports. Here, again, the power of the great open market of the United Kingdom made itself felt. In the matter of wool New Zealand, and the Australian States as well, have been singularly happy, for having succeeded in producing more than the United Kingdom could consume, they have been able to continue increasing production, because in this important commodity Germany and France are free trade. During the period, however, which is being specially reviewed wool did comparatively little for New Zealand. In 1880 the exports of wool were valued at £3,169,300 (they had been worth £3,658,938 in 1877) and in 1901 the total was only £3,699,103 ; though in the "nineties" the value had often been much more. Had there been some millions of pounds sterling increase in the wool exports it might have been said that it was due rather to Germany and France than Great Britain that New Zealand had so improved her position. This cannot now be said, for it is clearly in frozen meat, butter, cheese, of which the United Kingdom has practically absorbed the whole export, that New Zealand has made such rapid headway. The extra millions which have given solidity to New Zealand prosperity have been paid by the United Kingdom for these special commodities.

But the New Zealand tariff must not be overlooked ; if it did anything to pull New Zealand out of the Slough of Despond it ought to be

acknowledged. In this connection it is amusing and instructive to note that in 1899 the affairs of New Zealand having been adversely criticised in London, the Agent-General of the Colony wrote on the subject to the *Times*, giving a statistical view of the position in 1897 as compared with 1887; in this table he omitted all references to the protected manufacturing industries, from which it may be inferred how much (or how little) he felt had been gained in that direction. "The Statistical View," supplied by the Agent-General, referred to the imports and exports: the wool, the frozen meat, the tallow, the butter and the cheese industries; gave details of the output of coal, the gold won; the number and acreage of holdings, the number of sheep, cattle and horses. But not a word about the manufacturing, the protected industries which had given birth to so much eloquence, which had been, as usual, heralded as the sure and certain cure for all industrial and financial troubles.

The "New Zealand Year Book" gives the following figures:—

MANUFACTORIES AND WORKS.—HANDS EMPLOYED.

		1886.		1891.		1896.		1901.
Male	.. ..	19,601	..	22,664	..	22,886	..	35,433
Female	.. ..	2,494	..	2,969	..	4,403	..	6,238
		<hr/>		<hr/>		<hr/>		<hr/>
		22,095	..	25,633	..	27,389	..	41,726
		<hr/>		<hr/>		<hr/>		<hr/>
Establishments		1,943	..	2,254	..	2,459	..	3,163

These figures include the meat freezing, preserving, and boiling-down works, 2,282 hands; tanning, fellmongering, and wool-scouring establishments, 1,963 hands; flax mills, 1,698 hands; butter and cheese factories, 1,188 hands; gasworks, 572 hands; brickyards, etc., 838 hands; breweries, 682 hands; printing establishments, 3,134 hands; sawmills, etc., 6,812 hands. These various industries in 1901 accounted for one-half of the total male labour employed, and they were practically all outside the possibility of tariff influence. Still there was an important increase in employment in industries to which the tariff certainly did give considerable stimulus. But it will be observed that the increase was mainly in the last five years—the very five years in which the most noteworthy advance in the imports took place. The industries protected in the "eighties" scarcely began to move until the closing years of the "nineties." Why was this? Simply because it was not till then that the natural industries of New Zealand had expanded sufficiently to give increased business to the protected industries. The lesson is that it is always the natural industries—those that cannot be protected by a tariff—on which the protected industries have, after all, to rely for prosperity.

The point is important and interesting; it is worth making still clearer. Here are the imports into New Zealand for the last five years in special articles enjoying great "protection":—

IMPORTS FOR FIVE YEARS.

	1897.	1898.	1899.	1900.	1901.
	£.	£.	£.	£.	£.
Apparel and slops ..	362,389	354,940	393,689	451,879	463,194
Boots and shoes ..	132,203	130,912	151,593	194,811	211,215
Hats and caps ..	63,310	66,416	68,184	66,799	70,013
Woollens ..	293,449	286,911	297,387	330,713	348,666
Machinery ..	368,416	422,011	405,551	536,429	600,019

The question seems almost to arise whether the "protected" industries of New Zealand were not themselves more stimulated by the indirect action of the open market of the United Kingdom than they were by the direct action of the New Zealand tariff?

At any rate, it may confidently be submitted that a careful study of the progress and the struggles of New Zealand makes it certain, beyond doubt, that the fiscal policy of the United Kingdom has been an important factor in promoting her expansion and prosperity. It cannot be said to have been the *controlling* factor; *that* has been the industry, the enterprise, and the endurance of the New Zealanders themselves. Nor can it be said that because the fiscal policy of the United Kingdom has enabled New Zealand to transact a very profitable business, that, therefore, New Zealand owes the Motherland a debt of gratitude. No such thing. The benefit has been mutual. New Zealanders have the gratification of knowing that the trade which has been a blessing to themselves has also been a blessing to their brothers on the other side of the world.

CANADA.

How has the Dominion progressed since its federation, and what has been the influence on that progress of the free-trade policy of the United Kingdom? Canada in the year 1850 had about two and a-half millions of population against half a million in Australia and New Zealand combined—that is, five to one. At the census of 1901 the former had increased by rather less than three millions, whilst the latter had increased by four millions. To be exact, the Dominion had reached 5,371,051; Australia and New Zealand combined had reached 4,555,803. The Dominion had a little more than doubled; Australasia had increased ninefold. As British policy was the same in regard to all her Colonies, Free Trade in the United Kingdom was not responsible for the slower growth of population in Canada. Then, the United States more than trebled their population whilst Canada was doubling hers. But as, since 1847, the Canadians have had the power to fix their own tariff, and have fixed it much on the same lines, from time to time, as the United States fixed theirs, they have had all the expansion that could be expected to flow from restriction, and consequently the slow growth cannot be laid at the door of free trade in Canada.

When the Canadian census of 1871 was taken the federation had but recently been completed; the decennial returns since then are worthy of a passing note :—

POPULATION, CANADA.

Census.	Number.	Increase in number.		Increase per cent.
1871	3,485,761	—		—
1881	4,324,810	839,049		24
1891	4,833,239	508,429		12
1901	5,371,051	537,812		11

The 24 per cent. covered the time before the restrictive tariff came into existence ; the 12 and the 11 per cent. cover twenty years afterwards. It will have to be admitted that the restrictive tariff did not increase population.

The milder climate of the United States, and the greater development already attained there, gave that country superior attractions in the eyes of emigrants. Whilst as regards Australia, the attraction of gold far more than outweighed the serious drawback of the longer and more costly voyage. It is mainly these causes that explain why the population of Canada did not grow, relatively, faster than it did.

It may be said that if the United Kingdom had given Canadian produce a preference, as against foreign, that then Canada could and would have made more headway. But the sufficient reply is that any system of unequal treatment of commerce would have prevented the British expansion which has taken place, and that the United Kingdom to-day would have been a much smaller buyer than she is of the world's productions. And at present the outlook for Canada is bright in the extreme. The United States cannot now offer the advantages to the immigrant it did, for its best lands are all occupied. The continued growth of population in the United States, in the United Kingdom, and in Europe, indicates an increasing demand for the very productions which Canada can best produce. For the Canada of to-day it is reasonable to assume that the position and the prospects of the commerce of the world, and of the United Kingdom, are infinitely superior to what they would have been had the British policy of to-day been what it was in the days before freedom of trade was adopted.

Canada, however, has made progress of a very substantial kind. Her growth has been steady and solid ; and this growth can largely be traced to the influence of British fiscal policy and British capital. The commerce of Canada for the three first years of the federation was :—

Imports.		Exports.		Excess of Imports.		Excess of Exports.	
Mill. £.		Mill. £.		Mill. £.		Mill. £.	
1868	.. 16.0	..	11.8	..	4.2	..	—
1869	.. 15.4	..	13.0	..	2.4	..	—
1870	.. 17.3	..	15.3	..	1.5	..	—

The figures show that capital was being imported, and the public revenue was increasing yearly about a quarter of a million sterling. It may be taken as certain that British investments in 1870 are underestimated at 50 millions, and this sum may therefore be safely accepted as erring on the right side. The annual interest payable may be

reckoned at two millions. Now take the commerce for the next five years :—

	Imports.		Exports.		Excess of Imports.		Excess of Exports.	
	Mill. £.		Mill. £.		Mill. £.		Mill. £.	
1871	..	20·5	..	15·7	..	4·8	..	—
1872	..	23·2	..	17·2	..	6·0	..	—
1873	..	26·7	..	18·7	..	8·0	..	—
1874	..	26·7	..	18·6	..	8·1	..	—
1875	..	25·6	..	16·2	..	9·4	..	—
Total excess of imports					..	36·3	..	—
Interest retained, 5 years at 2 millions					..	10·0	..	—
Total accession of capital					..	46·3	..	—

These five years were famous in British finance; any country—good, bad, or indifferent—had only to ask for a loan to get it, and, therefore, it is not to be wondered at that a country like Canada—substantial, and withal British—obtained more than 40 millions sterling. Apparently it was a good time in the Dominion: the public revenue advanced rapidly, though only 3·3 millions in 1870, the five years under review showed 4·0, 4·3, 4·3, 5·0, 5·1 millions. Of course the great addition to public and private debts meant a material addition to the yearly burden of interest. Bringing the principal from 50 to 96 millions, the yearly interest burden may be reckoned as four millions.

The five years 1876-1880 now claim attention :—

	Imports.		Exports.		Excess of Imports.		Excess of Exports.	
	Mill. £.		Mill. £.		Mill. £.		Mill. £.	
1876	..	19·4	..	16·9	..	2·5	..	—
1877	..	20·7	..	15·8	..	4·9	..	—
1878	..	19·4	..	16·5	..	2·9	..	—
1879	..	17·1	..	14·9	..	2·2	..	—
1880	..	18·0	..	18·3	..	—	..	0·3
Total excess of imports					..	12·2	..	—
Interest retained, 5 years at 4 millions					..	20·0	..	—
Total accession of capital					..	32·2	..	—

When these five years began, the wild lending mania in Great Britain had ended. The British investor had burnt his fingers very badly; he had to mourn his foolish willingness to lend money to third-rate foreign countries. He declared that in the future he would prefer lending to British communities, but he had so crippled himself that he had now but little to lend even to them. At the end of the "seventies" came

the financial crisis resulting from the failure of the City of Glasgow Bank, and this had a marked effect in reducing the volume of investments in 1880 in all directions.

The fall in the excess of imports from 36.3 millions in the preceding five years to 12.2 millions was very severe, and was naturally accompanied by a fall in the public revenue. Spite of the larger population the revenue year by year was only 4.7, 4.6, 4.7, 4.7, 4.9 millions : roughly ten per cent. greater population and ten per cent. smaller revenue. Although the excess of imports only reached 12.2 millions, yet the accession of capital totalled 32.2 millions because the amount lent covered the interest as well as the excess of imports. The year 1880 is reckoned as ending with an indebtedness of 128 millions and an interest charge of 5 millions.

In these last five years the imports into Canada had fallen off by an aggregate of no less than 28 millions or nearly one-fourth. It is singular that this period should have been chosen in which to seek by legislation the general restriction of imports. Canada had had big imports and a good time, followed by small imports and a bad time : and forthwith Canada determined to prevent big imports in the future. The logic at the back of this seems rather shaky. The experience of Canada is the same as that of Australia and of New Zealand ; prosperity has accompanied a full volume of imports, and depression has generally prevailed after any marked shrinkage.

So much for 1876-80. Now for 1881-85 :—

		Imports.		Exports.		Excess of Imports.		Excess of Exports.
		Mill. £.		Mill. £.		Mill. £.		Mill. £.
1881	..	21.9	..	20.5	..	1.4	..	—
1882	..	24.9	..	21.3	..	3.6	..	—
1883	..	27.6	..	20.4	..	7.2	..	—
1884	..	24.2	..	19.0	..	5.2	..	—
1885	..	22.7	..	18.6	..	4.1	..	—
					<hr/>			
Total excess of imports					..	21.5	..	—
Amount of interest retained, 5 years at 5 millions					..	25.0	..	—
					<hr/>			
Total accession of capital..					..	46.5	..	—

These figures bring out, and illustrate a peculiar position. The years in question are those following immediately on the introduction of the restrictive tariff. Yet, spite of that tariff, the imports for the five years total 26.7 millions more than in the preceding five years. Why is this? Simply because Canada largely increased her borrowings, and at the same time continued her exports. In the fight "import duties *versus* capital" it is always safe to back capital. The restriction-loving Colonies have not been able to resist the temptation offered by the open markets of Britain, forgetting that the more they poured their products into Great Britain the more they compelled themselves to take British, or other goods. Nor yet have they been able to with-

stand the temptations of the British money market, forgetting that when they borrowed money they had to accept goods. It is amusing to watch a parliament passing laws to restrict importations, and then deliberately entering into financial arrangements—obtaining loans—that compel the admission of increased imports. During the years, 1881-85, Canada would have had to export five millions sterling yearly in excess of her imports for interest, if she had not obtained more capital—she did this not only to the amount of the interest but four millions annually in excess. At the close of 1885 the aggregate indebtedness may be placed at 175 millions—and the yearly burden of interest—taking now a lower rate—at 6 millions.

For 1886-90 the figures are :—

	Imports.		Exports.		Excess of Imports.		Excess of Exports.	
	Mill. £.		Mill. £.		Mill. £.		Mill. £.	
1886	..	21·5	..	17·5	..	4·0	..	—
1887	..	23·2	..	18·4	..	4·8	..	—
1888	..	22·8	..	18·5	..	4·3	..	—
1889	..	23·7	..	18·3	..	5·4	..	—
1890	..	25·0	..	19·9	..	5·1	..	—
Total excess of imports					..	23·6	..	—
Amount of interest retained, 5 years					..	30·0	..	—
at 6 millions					..	30·0	..	—
Total accession of capital..					..	53·6	..	—

This period presents the same characteristics as the preceding one. The total indebtedness in 1890 may be placed at 229 millions, and the yearly interest at eight millions. Now for 1891-95 :—

	Imports.		Exports.		Excess of Imports.		Excess of Exports.	
	Mill. £.		Mill. £.		Mill. £.		Mill. £.	
1891	..	24·7	..	20·2	..	4·5	..	—
1892	..	26·2	..	23·4	..	2·8	..	—
1893	..	26·5	..	24·4	..	2·1	..	—
1894	..	25·4	..	24·1	..	1·3	..	—
1895	..	22·8	..	23·4	..	—	..	6
Total excess of imports					..	10·1	..	—
Amount of interest retained, 5 years					..	40·0	..	—
at 8 millions					..	40·0	..	—
Total accession of capital..					..	50·1	..	—

The figures of 1891-95 fairly reflect the British financial position. Capital was relatively scarcer, and it was difficult to obtain loans. This position in Britain affected Canada, and the public revenue which, in 1890, had been 8·2 millions fell to 7·9, 7·6, 7·5, and then to 7·0 millions sterling. It was again made quite clear that the restrictive

tariff of the Dominion had no power to remove depression. The protected industries can smile and be happy when there is surrounding prosperity on which they can feed, but when the surrounding atmosphere is one of depression they are sad, limp, and helpless. The charitable institutions of a country never yet stemmed the tide of misfortune. New capital to the extent of 50 millions, of which 40 are retained to cover interest on preceding supplies of capital, has a very different effect to what it would have if the whole sum were available for importation. The total indebtedness at the end of 1895 is now brought to 279 millions, in which an interest burden of ten millions annually can be reckoned.

We come now to 1895-1900—five remarkable and interesting years :—

	Imports.		Exports.		Excess of Imports.		Excess of Exports.	
	Mill. £.		Mill. £.		Mill. £.		Mill. £.	
1896	..	24.2	..	24.9	..	—	..	0.7
1897	..	24.5	..	28.3	..	—	..	3.8
1898	..	28.8	..	33.7	..	—	..	4.9
1899	..	33.4	..	32.7	..	0.7	..	—
1900	..	39.0	..	39.4	..	—	..	0.4
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Excess of exports	—	..	9.1
Amount of interest, 5 years at 10 millions	50.0	..	—
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Total accession of capital..	40.9	..	—

Here, indeed, are changes of a most healthy and pleasing kind. The most important is the great expansion of exports. It is not often that any country has ever been able to show expansion like this. The improvement has continued since 1900, as the figures for 1901-2 show :

	Imports.		Exports.		Excess of Imports.		Excess of Exports.	
	Mill. £.		Mill. £.		Mill. £.		Mill. £.	
1901	..	39.1	..	40.4	..	—	..	1.3
1902	..	43.6	..	43.5	..	0.1	..	—

Will it be wrong to read the lesson of the last five years as follows?—The first half of the “nineties” was a time of depression. Canada had to do something; she found—perhaps without confessing it—that the tariff had no lifting power. What was to be done? Canada quickly and spontaneously found the answer. It was to make the best use of the blessings with which Nature had endowed her; the blessings which lay to her hands. Canada and natural industries did what Canada and a restrictive tariff had not done and could not do. It was also better to use the world than to fight it. Canada waited on Nature, reaped her bounties, and sold them to the outside world.

The advance in production and export is startling. The 24 millions of exports in the early “nineties” advances by rapid steps, until, in 1902,

the high figure of 43·5 millions is reached. Soon the import trade—which is but the harvest, the result of the export trade—feels the quickening, and a rush of imports come; the 25 millions of the early “nineties” become 43 millions in 1902. There are times when a restrictive tariff is very much like Dame Partington. That good lady with her broom could manage a mud puddle, but the Atlantic was too much for her. So, when a wave of imports—caused by big sales of produce, or of bonds—comes along, Dame Partington and her tariff broom look rather foolish. Of course the comparison does not hold good all round, for the Canadians were not allowed to handle the enlarged imports, which they had bought with their enlarged exports, till they had paid the Customs an extra ten million pounds; of course these millions went into the public Treasury and were spent, perhaps wisely, perhaps not so, in the public interest. But how many millions, in the rush of the good times, those charitable institutions, the protected industries, managed to divert into their own pockets cannot be said.

Suppose these big exports be followed up, what became of them, especially those in which the great expansion took place? Look at a few items. 1901-2:

1.—Cheese. Total Exports, \$19,686,291:—

Shipped to the United Kingdom..	..	..	\$19,620,239
Shipped to the Rest of the World	..	..	\$66,052

2.—Butter. Total Exports, \$5,660,541:—

Shipped to the United Kingdom..	..	..	\$5,459,300
Shipped to the Rest of the World	..	..	\$201,241

3.—Eggs. Total Exports, \$1,733,742:—

Shipped to the United Kingdom..	..	..	\$1,691,524
Shipped to the Rest of the World	..	..	\$42,218

4.—Bacon. Total Exports, \$12,162,953:—

Shipped to the United Kingdom..	..	..	\$12,119,342
Shipped to the Rest of the World	..	..	\$43,611

5.—Cattle. Total Exports, \$10,663,819:—

Shipped to the United Kingdom..	..	..	\$9,742,738
Shipped to the Rest of the World	..	..	\$921,081

It is in these directions especially that the great growth of Canadian export trade is proceeding. Taking the aggregate of these five items they show: To the United Kingdom \$48,632,643; or 97·45 per cent.; to the Rest of the World, \$1,274,213, or 2·55 per cent. This result seems a crushing, certainly a sufficient, answer to those critics, previously quoted, who say that the Colonies have received no special encouragement from the parent country since the free trade era began. Even the figures given do not quite render full justice to British policy, for one-fifth of the shipments to the Rest of the World are to British Colonies—Crown Colonies and others.

In the expansion of the Canadian wheat trade the United Kingdom is again well to the front, taking of wheat and flour \$20,314,313, against \$2,342,629 to the Rest of the World. Another division of this export shows as follows: The British Empire \$21,922,378, the Rest of the World, \$734,564.

The total exports—year 1901-2—of Canadian produce were disposed of as follows:—

To the United Kingdom	\$109,347,345
To other parts of British Empire	\$11,566,664
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Total British Empire	120,914,009
To the United States	66,567,784
To all other countries	8,537,970
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Grand Total	\$196,019,763

To fully understand the potent influence of British purchases it is worth while examining the list of the exports to the United States, which stand here at a little over one-third of the total. Here are some of the items. Gold quartz, dust, etc., \$19,660,485; silver ore, \$2,055,428; metals: copper, lead, nickel, in ore pig, etc., \$4,103,137; iron ore, \$1,298,101; coal, \$4,318,681; timber, \$15,700,000. It will be observed that gold and silver in quartz, ore, etc., rather money than merchandise, constitute about 32 per cent. of the Canadian shipments to the States. The commoner metals bring this percentage to 40, whilst timber and coal raise it to 70 per cent. A dollar is a dollar whether it be obtained in exchange for metal, timber, butter, or cloth. There are some people in Australia, and they have relatives elsewhere, who ridicule raw materials, laugh at mere produce, and worship manufactures. A chair leg, being a manufactured article, is, to these people, a more wonderful thing than a cargo of timber, and as for a yard of cloth, all the wool in the country is not worthy of being named the same day. *These* people, however, are not writing this book, and a dollar is a dollar whatever the commodity given in exchange. The United States market is most certainly very valuable to Canada in connection with certain industries, but it is needful to bear in mind that it is of very little value in connection with the great producing industries of Canada, those which provide the great bulk of her exports. The details which have been given prove to demonstration that it is the United Kingdom, and not any other country or group of countries, or all the Rest of the World combined, on which Canada has to rely to turn her main productions into wealth.

It will be understood that the figures which have been given regarding the capital lent to, or invested in, Canada are crude estimates which local investigation may vary. As 200 million pounds have been invested in Canadian railways alone, the estimate given is perhaps under the real total, even after allowing for the considerable sum which Canadians themselves have subscribed to their public works. Railways which in Australia and New Zealand have been constructed by the various

governments have in Canada generally been left to private enterprise, but as a rule it was the same British capitalist who was applied to for funds. When a Government borrows capital all the world knows about it, as to-day it knows how many millions Australia—the various States—has borrowed. Although the population of the Dominion is greater than that of Australia and New Zealand combined, and its expenditure on railways much the same, yet the *public* debt is only one-fourth of the total of that of the last named countries. According to the estimate here given the capital obtained by Canada is 370 millions, which is a long way below the acknowledged estimate for Australasia. It seems to be fairly supported by figures published by Mulhall ; by the *Economist* in 1887 ; and by others.

It is not necessary to further pursue this line of investigation. Those who are not satisfied by what has been shown with regard to New Zealand and Canada, that the British policy of the last half century has been of substantial assistance to the new British communities, would not be convinced by any history of the course of development in the other self-governing colonies. At the same time a brief reference to Victoria may be allowed. That Colony, now a State, in 1866 decided to follow industrially the stand-alone policy. By some failure of mental machinery the Victorians came to the conclusion that they could stand alone all the better if they were propped up with borrowed money, and they borrowed with considerable vigour till early in the “nineties,” when this prop being removed they had a bad tumble. The financial crash of 1893 was very severe. In a few years 127,212 people, the pick of the workers, left the State, the revenue fell about 25 per cent. from the highest point, and the manufacturing industries, the special pets of Victorian policy, were grievously distressed ; all of which facts are fully set forth in the statistics. Something had to be done. The duties against the foreigner had been put up and up without improving the position, so now they were put down somewhat. The industries for which Victoria in her prosperity had done the most, did the least for Victoria in her depression. Victoria did not give up her Will-o’-the-wisp policy, but she ceased to rely on it ; entering with energy into the dairying industry, she gradually increased her production of butter, and the export, which had been £60,000 in 1890, grew until in 1899 it reached £1,404,000. There are many public men in Victoria who believe that it was principally the butter export that brought Victoria out of her severe depression. Of course the butter had to go somewhere—yes, the United Kingdom took it and paid for it.

It may after all be said : “ Well, granting the truth of everything stated, is it not clear that if the United Kingdom had had preferential duties favouring the Colonies, that the Colonies would have reaped a still richer harvest ? ” The answer to this must be an unmistakable negative. In the first place the question coolly assumes that the United Kingdom would have consumed the same quantity of Colonial produce if the prices had been higher than they have been during the free-trade period. Obviously, and in the light of experience, it is clear that the consumption of any commodity depends on the extent to which it comes within the ability of the people to buy it, and of course smaller

consuming power on the part of the United Kingdom would have meant smaller outlets for colonial produce.

“Granting the force of this reply, and it cannot be denied that consumption is checked by any increase of cost, still it is clear that if the United Kingdom's total consumption of a given commodity is represented by the figure 100, of which the Colonies have been supplying 30; that while a duty by increasing the cost might reduce the whole to 80, yet by reason of a preference, the Colonies might be able to supply 40, then they would have a distinct advantage. The foreigner would lose 30, the colonial would gain 10.” Yes, that apparently is the way in which the Colonies could be benefited. The action of the differential duty—preference in one direction, penalty in the other—in the first place is undoubtedly to lessen consumption. Put one penny per pound duty on all butter imported into the United Kingdom from foreign countries: the effect will be that the consumer will pay the penny on all butter—British, Colonial, and foreign. Having no more money than before he must save the penny in some way, buy less of something or other. For one thing less butter will be bought. The people will eat less, their welfare will be abridged. Do the Colonies desire a gain accompanied by a loss—a greater loss—on the part of the British consumer?

If there be any lingering doubt as to the beneficial influence of British fiscal policy in Colonial development it will be dissipated at once by a study of the truly remarkable effect of that policy on the value of land in the United Kingdom. Land has fallen in value in Great Britain, and has risen in the British Colonies, the United States, and elsewhere. To-day the wheat and pastoral lands of the Mother Country practically sell for about the same price as similar lands in the Colonies *plus* the advantage represented by the expense of conveying the produce of the Colonies to the British market. The prosperous farmers and settlers in the new countries as they count up the wealth represented by the value of their land, must remember that to a considerable extent the very policy that was bringing them prosperity was lessening the prosperity of the British landowners. Even between 1885 and 1900 the annual value of British lands fell from 65 to 52·8 million £. It was estimated by Mulhall that in 1888 British lands were worth £136,000,000 *less* than in 1840, and of course in the interval very large sums had been spent in improvements, which value had also disappeared. Since 1888 the fall has become accentuated. Of course it is true that the policy which decreased British wealth in land, increased it to the same extent many times over in other directions. No one can fail to see that had the old policy of restriction continued in Great Britain the increase of population could not then have taken place. British land values would have kept up and still further advanced, but the great consuming market which encouraged Colonial food production would not have existed, and the British Empire would have been very different to-day from what it actually is. The key that opened British ports was destined to open Colonial lands.

CHAPTER XI.

THE RELATIVE EXTENT OF BRITISH COMMERCE.

THOSE people who believe that British commerce is in a state of decay often also largely believe that "in the good old days" Great Britain had a greater hold on the world's commerce than she has to-day. In Mulhall's "Dictionary of Statistics" (page 128) a table is given showing the commerce of the various nations at twelve different periods, beginning with 1720 and ending with 1889. It is worth while comparing the figures for 1720, 1800, 1840, and 1889 :—

THE WORLD'S COMMERCE IN 1720.

Total.	British Empire.				Other Countries.			
Mill. £.	Mill. £.		Per cent.		Mill. £.		Per cent.	
88	24 ..	27·27	..	..	64 ..	72·73		

The figures must be taken for what they are worth ; statistics were not very reliable, nor money values very certain in 1720. Probably, however, the element of uncertainty affected all the figures much alike.

THE WORLD'S COMMERCE IN 1800.

Total	British Empire.				Other Countries.			
Mill. £.	Mill. £.		Per cent.		Mill. £.		Per cent.	
302	79 ..	26·16	..	..	223 ..	73·84		

In the eighty years a three-fold increase is shown, the rate of increase being much the same for both British and foreign. Now, for the period before the first steps in Free Trade were taken :—

THE WORLD'S COMMERCE IN 1840.

Total	British Empire.				Other Countries.			
Mill. £.	Mill. £.		Per cent.		Mill. £.		Per cent.	
573	155 ..	27·05	..	..	418 ..	72·95		

If there were any period on which the believers in the past could base any argument it ought to be this one. It will be seen that the aggregate total had risen considerably, but that the British trade still showed about the same percentage which it had done in 1720. Now

for Mulhall's last date—after a long period of free trade, and phenomenal development in steam and electricity :—

THE WORLD'S COMMERCE IN 1889.

Total.	British Empire.		Other Countries.	
	Mill. £.	Per cent.	Mill. £.	Per cent.
3,327*	1,119* ..	33·63 ..	2,203 ..	66·37

These figures show that whilst the commerce of foreign countries increased to rather more than five times its volume in 1840, the commerce of the British Empire increased to rather more than seven times its volume. Great as was the foreign increase, the British was so much greater that the percentage of British commerce rose from 27·05 to 33·63. These figures yield no solace to the believers in bygone days.

The latest available returns which the present writer has are those published by the Board of Trade in 1901, these contain, however, only the commerce of foreign countries up to 1899. Tabulating on the same basis as that used previously by Mulhall, the following results are shown :—

THE WORLD'S COMMERCE IN 1899.

Total.	British Empire.		Other Countries.	
	Mill. £.	Per cent.	Mill. £.	Per cent.
4,011	1,297 ..	32·33 ..	2,714 ..	67·67

The growth of commerce continued—large in the British, larger still in the foreign. But the British proportion of the whole was far in excess of that existing prior to the free trade era.

But there is another and very interesting view which may be taken of the world's commerce. It is obtained by dividing the whole of the commerce into two parts, first, that which is carried on by the British Empire with its Colonies and with foreign countries ; and, second, that which is carried on by foreign countries with foreign countries.

COMMERCE OF THE WORLD.

				Commerce of and with the British Empire.		Commerce, foreign countries with foreign countries.	
				Million £.		Million £.	
United Kingdom.							
Imports	..	..	..	485	..	..	—
Exports	..	..	..	330	..	..	—
				—815			
British Colonies and Possessions							
Imports	..	..	..	244	..	..	—
Exports	..	..	..	238	..	..	—
				—482†			

* Reduced by 50 millions on account of Australian inter-state trade.
Colonial Conference figures. Australian inter-state trade deducted.

COMMERCE OF THE WORLD (*continued*)—

					Commerce of and with the British Empire.						Commerce, foreign countries with foreign countries.
					Million £.						Million £.
Russia.											
	Imports	..	..	..	14	..	..	..	..	55	
	Exports	..	..	..	14	..	..	..	..	52	
					— 28	..	..	..	..	—107	
Norway.											
	Imports	..	..	..	5	..	..	..	..	12	
	Exports	..	..	..	4	..	..	..	..	5	
					— 9	..	..	..	..	— 17	
Sweden.											
	Imports	..	..	..	8	..	..	..	..	20	
	Exports	..	..	..	9	..	..	..	..	11	
					— 17	..	..	..	..	— 31	
Denmark.											
	Imports	..	..	..	6	..	..	..	..	21	
	Exports	..	..	..	12	..	..	..	..	8	
					— 18	..	..	..	..	— 29	
Germany.											
	Imports	..	..	..	55	..	..	..	..	219	
	Exports	..	..	..	47	..	..	..	..	163	
					—102	..	..	..	..	—382	
Holland.											
	Imports	..	..	..	27	..	..	..	..	133	
	Exports	..	..	..	29	..	..	..	..	103	
					— 56	..	..	..	..	—236	
Belgium.											
	Imports	..	..	..	18	..	..	..	..	72	
	Exports	..	..	..	15	..	..	..	..	62	
					— 34	..	..	..	..	—134	
France.											
	Imports	..	..	..	37	..	..	..	..	144	
	Exports	..	..	..	51	..	..	..	..	115	
					— 83	..	..	..	..	—259	
Switzerland.											
	Imports	..	..	..	3	..	..	..	..	43	
	Exports	..	..	..	8	..	..	..	..	27	
					— 11	..	..	..	..	— 75	
Portugal.											
	Imports	..	..	..	3	..	..	..	..	8	
	Exports	..	..	..	2	..	..	..	..	5	
					— 5	..	..	..	..	— 13	
Spain.											
	Imports	..	..	..	12	..	..	..	..	30	
	Exports	..	..	..	12	..	..	..	..	23	
					— 24	..	..	..	..	— 53	
Italy.											
	Imports	..	..	..	15	..	..	..	..	45	
	Exports	..	..	..	7	..	..	..	..	50	
					— 22	..	..	..	..	— 95	

COMMERCE OF THE WORLD (*continued*)—

				Commerce of and with the British Empire.	Commerce, foreign countries with foreign countries.			
				Million £.	Million £.			
Austria-Hungary.								
Imports	..	..	..	10	..	..	57	
Exports	..	..	..	8	..	..	67	
				— 18	..	..	—124	
Egypt.								
Imports	..	..	..	5	..	..	7	
Exports	..	..	..	9	..	..	7	
				— 14	..	..	— 14	
United States.								
Imports	..	..	..	50	..	..	116	
Exports	..	..	..	138	..	..	128	
				—188	..	..	—244	
Mexico.								
Imports	..	..	..	2	..	..	8	
Exports	..	..	..	2	..	..	12	
				— 4	..	..	— 20	
Argentine.								
Imports	..	..	..	9	..	..	14	
Exports	..	..	..	4	..	..	33	
				— 13	..	..	— 47	
China.								
Imports	..	..	..	29	..	..	12	
Exports	..	..	..	14	..	..	15	
				— 43	..	..	— 27	
Japan.								
Imports	..	..	..	9	..	..	14	
Exports	..	..	..	6	..	..	17	
				— 15	..	..	— 31	
Sundry.*								
Imports	..	..	..	9	..	..	26	
Exports	..	..	..	10	..	..	22	
				— 19	..	..	— 48	
Totals				2,025	..	1,986		
Grand Total				..	..	4,011		

The commanding position occupied in the world by the commerce of the British Empire is seen when these figures are grasped. They indicate that if the British Empire were swept out of existence, everywhere sunk out of sight, at least one-half of the world's commerce would be swept away at the same time. This also means that the commerce of the whole of the foreign countries of the world *between themselves* is scarcely equal to that carried on by and with the British Empire. There really

* Includes Greece, Bulgaria, Roumania, Chili, and Uruguay.

seems more justification for the envy of the foreigner than for the tears which some Britons are shedding just now ; all the more because the returns for 1900, 1901, and 1902 are all of them more favourable still to the British. The veil of the future none can lift, but it is certainly to be expected that the present century will see a great expansion of commerce between foreign countries. Commerce is after all merely supplementary to home trade, and it is in the aggregate of the two, not in the extent of either alone, that prosperity is to be found. The talk of any one country monopolising the world's commerce is idle, ignorant talk. So long as any people anywhere are not so prosperous and happy as they might be with a greater exchange of commodities the expansion of commerce is not complete. What an expansion is implied in that, and what directions that expansion must take !

CHAPTER XII.

THE RELATIVE VALUE OF COLONIAL TRADE.

Is it safe to assume, as some writers so often do, either, first that the "per head" purchases by the British self-governing colonies from the United Kingdom will, in the future, be as great as they have been in the past, or as they are at present; and, second, speaking broadly, that the volume of the British colonial trade which the United Kingdom can secure is expanding and will expand more rapidly than the corresponding volume of foreign trade? In short, are the prospects of British trade with the Colonies so good as to warrant indifference as to the future of British trade with other countries? The answer to these questions must be in the negative. But the very raising of the question is regrettable, for it suggests the making of proposals for legislative interference; for attempting to do by legislation that which is always better done by the self-interest of the people.

There is, happily, not the least reason to doubt that a great and a growing future awaits the self-governing Colonies, but it is forgotten that in the ordinary course of events, and quite apart from any restrictive legislation, a young country after a certain period manufactures more, actually and relatively, than in the early years. The volume of external trade may increase, whilst the "per head" amount is decreasing. It is forgotten also that a large proportion of the colonial imports of the past and of the present represent moneys lent: a temporary movement. The tendency to accept as permanent a condition which is, or may be, only temporary, is too common with regard to the imports of the Colonies. The stimulation of loan money is an important, but at the same time only temporary condition. Especially in new countries which are opened up under the influence of gold discoveries is this temporary condition very marked.

Look at the imports of some of the Australian States on the "per head" basis, taken from Australian statistics and including inter-state business:—

STATE OF VICTORIA.—IMPORTS PER INHABITANT.

Year.		£		Year.		£
1850	..	10	..	1870	..	17
1852	..	24	..	1875	..	21
1853	..	71	..	1880	..	17
1854	..	56	..	1885	..	19
1855	..	33	..	1889	..	22
1860	..	28	..	1890	..	20
1863	..	21	..	1895	..	11
1867	..	18	..	1900	..	15

It was in the early "fifties," as the figures clearly indicate, that Victoria came to the front with a rush. Goods of every description had to be imported; food and manufactures. It was not long before the food was locally produced, and gradually the commoner and more bulky kind of manufactures were also locally made. Towards the end of the "eighties" a great flood of capital carried the imports up to £22 per head, from which they dropped in six years to exactly one-half, when the reaction from the financial fever was complete.

Western Australia is the last State to develop the gold-mining industry:—

STATE OF WESTERN AUSTRALIA.—IMPORTS PER INHABITANT.

Year.	£	Year.	£
1830	12	1895	37
1885	19	1896	47
1890	19	1900	33
1834	26	—	—

It was in the "nineties" that Western Australia "boomed." Gold discoveries and an inrush of merchandise.

It was in the early "sixties" that New Zealand went ahead:—

NEW ZEALAND.—IMPORTS PER INHABITANT.

Year.	£	Year.	£
1858	20	1880	13
1861	25	1885	13
1862	37	1890	10
1863	43	1895	9
1870	18	1900	14
1875	21	—	—

The increase and decrease "per head" is clear enough in the foregoing figures, but the best view of these movements is probably to be obtained from an examination of the returns laid before the Conference of Colonial Premiers in London in 1902.

COMMONWEALTH OF AUSTRALIA.—EXPORTS THERETO OF BRITISH AND IRISH PRODUCE; ALSO DEBTS INCURRED BY AUSTRALIA IN 5-YEAR PERIODS.

Period.	Exports. Aggregate Amount.	New Debts.
1856-1860	£50,550,298	£ 8,088,941
1866-1870	49,854,376	12,027,105
1876-1880	72,423,728	22,425,599
1881-1885	100,097,254	48,990,247
1886-1890	97,349,417	35,169,904
1891-1895	76,839,932	27,375,737
1896-1900	91,767,855	23,569,720

The growth in the volume of the exports, it will be observed, is considerable but very fluctuating, and the fluctuations largely correspond with the greater or smaller amount of new debts incurred. But

now test these export returns on the population basis (which was not done for the Conference), and note the result :—

EXPORTS TO AUSTRALIA OF UNITED KINGDOM PRODUCE.—PER HEAD OF POPULATION OF AUSTRALIA.

Period.	Aggregate 5 years.			Average 1 year.		
1856-1860	£50	..	..	£10
1866-1870	33	..	..	6½
1876-1880	35	..	..	7
1881-1885	41	..	..	8
1886-1890	33	..	..	6½
1891-1895	23	..	..	4½
1896-1900	25	..	..	5

To understand the full force of these figures it is needful to remember that they begin after the close of the remarkable years of the early "fifties," when the unprecedented rush to Victoria took place.

To make it still more clear how, especially in certain lines, local manufacture gradually and naturally supersedes the imported goods, the following table is well worthy of study * :—

EXPORTS OF BRITISH AND IRISH APPAREL AND HABERDASHERY.—IN 5-YEAR PERIODS.

Period.	New South Wales.		Victoria.		All Australia.	
1856-1860	..	£2,729,264	..	£4,711,898	..	£8,803,059
1866-1870	..	2,688,078	..	4,138,848	..	8,647,465
1876-1880	..	4,188,872	..	3,249,003	..	9,963,301
1881-1885	..	5,033,711	..	2,948,243	..	11,313,667
1886-1890	..	4,454,846	..	2,835,623	..	10,352,550
1891-1895	..	3,954,794	..	1,882,106	..	8,848,604
1896-1900	..	3,943,878	..	1,612,790	..	8,634,970

In New South Wales, with a free-trade tariff, whilst the population increased fourfold these imports only increased one-half; in Victoria, with a restrictive tariff, whilst the population more than doubled, these imports fell to one-third. In Australia (all the six States together), with nearly a fourfold increase of population, the imports fell off. Like the preceding table of exports, this one will make its lesson clearer on the "per head" basis, the calculation of which shows as follows :—

EXPORTS TO AUSTRALIA OF BRITISH AND IRISH APPAREL AND HABERDASHERY PER INHABITANT—AVERAGE OF ONE YEAR.

	New South Wales.		Victoria.		All Australia.	
1856-1860	..	£8·4	..	£9·7	..	£8·7
1866-1870	..	5·9	..	6·2	..	5·7
1876-1880	..	6·3	..	4·0	..	4·8
1881-1885	..	6·0	..	3·2	..	4·6
1886-1890	..	4·3	..	2·7	..	3·5
1891-1895	..	3·3	..	1·6	..	2·6
1896-1900	..	3·0	..	1·4	..	2·4

* These figures are also taken from the Conference Report.

The returns for New Zealand, Canada, etc., indicate the same movement—that is, the gradual development of the simpler forms of manufacture. The movement is, perhaps, more clearly seen in regard to apparel than in any other article; the use of machinery is here at a minimum. But, slow or quick, the movement is one that is always proceeding in some direction or other. It is in those manufacturing industries where special skill, elaborate machinery, and abundant capital are needed that the self-governing Colonies make the least progress; thus, in the Southern Hemisphere the manufacture of cotton goods has not yet been even attempted.

If, then, experience, history, as embodied in statistical returns, make it clear that the internal development of the Colonies has reduced and is reducing their “per head” requirements, it cannot be wise to consider to-day’s requirements as a certain guide to the requirements of to-morrow. During the past half-century there has been a more or less constant flow of British capital to the British Colonies, or, in other words, a more or less constant inflation of the exports from the United Kingdom to the Colonies. In addition to this flow of capital, there have been repeated rushes of population—due mainly to gold discoveries—either in advance of, or prior to, local production, which enlarged temporarily the demand for certain classes of British goods. To ascertain what can reasonably be considered as the average future “per head” requirements of the Colonies, it is necessary to eliminate from the figures of to-day, first, the amount that represents loans rather than purchases, and, second, something for the amount which, for the reasons stated, represents only temporary business. When these deductions have been made, and not till then, will the figures have been arrived at for a fair comparison of the value of Colonial trade with foreign. South Africa furnishes the latest illustration of a trade which is temporarily largely increased in volume by purchases of goods which will ultimately be produced or manufactured in the country.

But it may be said, whilst there is much truth in these statements, yet the Colonies are growing so fast; population is increasing so rapidly, that the aggregate of a smaller “per head” trade in the future will far exceed the aggregate of the larger “per head” trade of to-day. So it may, so it probably will, in the course of time, yet it is not wise to count chickens before they are hatched. It is time the Empire took some notice of the ultimate results of the widespread decline in the birth-rate that has marked late years in English-speaking countries. For this decline to take place in a country that has already attained a high total population is one thing, for it to take place in a huge country with a small population is quite another thing. Another factor has to be taken into consideration, and that is that there is a distinct falling off in the volume of emigration from the United Kingdom. It is a singular commentary on, and it shows the hollowness of, the agitation for a change in tariff policy, that the percentage of British people who now, year by year, seek new homes in other lands is much less than it was.

The following figure are worth examination :—

POPULATION IN 1871 AND 1901.

	1871.		1901.		Increase.
Australia	1,668,377	..	3,832,850	..	2,164,473
New Zealand ..	256,393	..	787,660	..	531,267
Canada	3,635,024	..	5,371,315	..	1,736,291
The Cape and Natal	250,000*	..	563,821*	..	313,821
<hr/>					
Total	5,809,794	..	10,555,646	..	4,745,852
United Kingdom	31,845,379		41,607,552	..	9,762,183

Of course, the percentage of increase is much greater in the Colonies than in the United Kingdom—viz. 82 against 31; still it is a fact worthy of note that, although multitudes left British shores and helped to build up other communities, including the Colonies, the home population in thirty years increased in the aggregate more than twice as much as the population of the whole of the self-governing Colonies.

With regard specially to Australia, the table herewith is full of instruction, and will teach caution in regard to population estimates:—

AUSTRALIAN COMMONWEALTH.—INCREASE OF POPULATION, BY DECADES.

Period.	Net Immigration.	Natural Increase.	Total Increase.	Increase per cent. per annum.
1831-41 ..	110,320 ..	8,116 ..	118,436 ..	11·25
1841-51 ..	156,971 ..	68,063 ..	225,034 ..	8·43
1851-61 ..	551,561 ..	168,660 ..	720,221 ..	10·92
1861-71 ..	176,880 ..	335,357 ..	512,257 ..	3·75
1871-81 ..	195,245 ..	391,987 ..	587,232 ..	3·13
1881-91 ..	386,903 ..	537,083 ..	923,983 ..	3·50
1891-01 ..	4,451 ..	588,585 ..	593,036 ..	1·72
1901-02 † ..	3,230 ..	97,649 ..	100,879 ..	1·52

This is a noteworthy table. It shows that during the past twelve years the increase of population has been very slow, and has been practically limited to that arising from the excess of the number of births over the number of deaths, and, as other tables would show more definitely, the birth rate is a declining one. Happily the position in both Canada and South Africa is very much better, and very material accessions of population are taking place. In Australia, too, with better seasons greater prosperity will not long be delayed, and a stream of population may again be expected.

In brief it may be taken, that increasing internal production is always tending to lessen the Colonial “per head” requirements of the commodities of other countries, and, further, that whilst the aggregate trade must grow, that growth may not be as rapid as expected, owing to the consequences of a lessened birth rate and a lessened desire to emigrate. It also needs to be remembered that if Australia and other parts of the Empire produce commodities which the United Kingdom

* Approximate estimates, whites only.

† 1½ years. This table is published by Mr. Fenton, the Victorian statistician.

cannot buy, but which other countries can buy, it would follow that those other countries would be put in a better position for exporting commodities which they wished to sell. It is out of the power of the United Kingdom to consume all the wool that Australia produces, the United Kingdom can scarcely, therefore, expect to sell all the commodities for which that extra wool may be exchanged. Is it not wise to let the Colonies grow as fast as they can by all the freedom of trade of which they have the wisdom to take advantage? Let them grow—as far as they will—as the United Kingdom grew. *That* is a policy worthy of the Empire.

CHAPTER XIII.

FINANCE AND COMMERCE.

EVERY year commerce is more and more influenced by matters of finance, and it becomes more and more difficult to trace that influence; that it cannot be traced wholly is no reason why it should be overlooked in the way it is. Ignorance on the subject is apt to lead to serious mistakes. The United Kingdom has greatly enriched itself by investing vast sums of money in other countries, but the full consequences of these investments do not seem to have been anticipated in the past nor to be fully understood in the present. "Commerce is exchange of commodities"; this statement used to cover the ground. To-day it might be said that "commerce is exchange of commodities, varied by movements of capital and of interest thereon." Those who desire to thoroughly understand the position of British and of Colonial commerce must give a little attention to this branch of the subject. It is one that is especially full of deep significance to the Colonies; their future is greatly concerned in it.

The first result of investing a certain sum of British capital abroad is to increase British exports the same year to a corresponding amount, but the ultimate result is to increase British imports to the extent of the interest for every year in the future so long as the principal is owing. The effect is that imports come in every year for which there is no corresponding export, though, of course, there may be other exports representing other capital going abroad. As this procedure continues there comes a time when the interest-imports become so considerable that the volume of exports is made to look relatively small. This is the position in the United Kingdom to-day; and the more money invested abroad in the future, the smaller relatively will be the ultimate exports be. It ought not to require a very keen intellect to see that the United Kingdom is enriched by being able to obtain millions of imports in exchange for bits of paper—called interest receipts—instead of having to give manufactured goods to a corresponding value. Of course, the larger the interest-imports into the United Kingdom the heavier are the burdens the borrowing countries have to carry; and the heavier those burdens the smaller the ability of those countries to buy British manufactures. Whilst, therefore, exportation of capital gives an impetus at the time to British manufacturing, its after effect may be to depress that industry.

Borrowing and lending are undertaken often with very light hearts and without due knowledge of the subject. Experience shows that there is a distinct limit to the power of any country to absorb new

capital. Of course a country may borrow enormous sums of money which may be wasted, and, in a given sense, that money may only too truly be said to have been absorbed. There is no limit to the extent of absorption for the purposes of waste, but there is a distinct limit to such absorption if the capital is to remain in existence and benefit the community in a lasting manner. The line dividing what is an advantageous use of new capital from the mere expenditure or waste of new capital is often difficult to ascertain; but the results of the use of new capital on the wrong side of the line are often of the most calamitous character—that which at first was a benefit becomes a burden. The borrowing and expenditure of one million may be wholly or permanently beneficial, whilst the borrowing and expenditure of two millions may be temporarily beneficial but ultimately permanently injurious. How far the Colonies of Great Britain may have over-borrowed it is difficult to say. That the Australasian Colonies would have been better off to-day if they had borrowed less there can be no doubt. Nor can there be the least doubt that the yearly payment of millions of interest is putting a great strain on them. Their people are, of course, bearing the strain as men of their race might be expected to bear it: though, in passing, it may be said that some of the criticism to which they are subjected comes with ill grace from the mouths of those into whose pockets these millions of hard-earned money is yearly being poured.

Possibly, also, advantage should be taken of this opportunity to refer to the subject of Colonial contributions towards the defence of the Empire. Let it be remembered that the Australasian Colonies alone are every year sending to the Motherland the gigantic sum of from fifteen to eighteen millions sterling for interest. The United Kingdom collects money for the interest on its own debt, and then distributes the whole amount within its own borders. Australasia collects money for her interest and sends it right away. There is a mighty difference between a collection of money that is to be redistributed and be available for new enterprises within your own borders and a collection of money that is to be drained away, taken clear out of your country. Roughly the money may be reckoned as £4 per head of the people of Australasia. Besides this burden during recent years the fall in the prices of produce has been so marked that it takes a vastly larger proportion of the total production than it did to make up the interest. Perhaps, too, critics might be asked to differentiate between the wealth *of* a country and the wealth *in* a country: the wealth *of* Australasia can only be the balance after deducting the proportion owned outside.* So long as the Colonies continue borrowing they do not feel the full burden of the weight of interest, but it is there all the same. It has grown faster than the strength to carry it, and until the strength has grown so that the interest burden is less in proportion to the wealth produced than it is to-day, Australians and New Zealanders, at any rate, cannot do what they would be proud to do in the matter of defence.

* Certainly critics can be asked to be a little more careful in the statements they publish about the Colonies. The revenues of the Colonies include so much railway receipts that a comparison of the aggregate with the British, that covers no railway receipts, becomes misleading.

To get back to the subject, which, of course, is to provide information affecting commerce. The following table will show in a very vivid manner the results of Australasian borrowings on the possible purchase of British manufactures :—

	1861.	1871.	1881.	1891.	1901.
	Mill. £.	Mill. £.	Mill. £.	Mill. £.	Mill. £.
1.—Total exports, Australasian products	16.6	23.1	31.2	43.2	59.1
2.—Aggregate interest, Australasian debts	2.0	4.0	8.0	15.0	17.0
3.—Balance available, the purchase of imports ..	14.6	19.1	23.2	28.2	42.1
4.—Percentage of exports required to pay interest	12.0	17.0	26.0	35.0	29.0
5.—Percentage of exports available to buy imports	88.0	83.0	74.0	65.0	71.0

The figures to which special attention is directed are those showing that of the aggregate exports the percentage required to pay interest on Australasian indebtedness rose from 12 to 17, then to 26, then in 1891 to 35. Trouble was then not far off; the pace was too hot. Since the year named the exports have been enlarged—Australasians have produced more and borrowed less—so that the percentage of exports required to pay interest has fallen to 29. But it is the last line of the table that is interesting to those who want to know to what extent Australasian buying power is affected by their indebtedness. To see the percentage of exports available to pay for purchases falling as shown by the figures 88, 83, 74, 65, was not reassuring; the advance to 71 is more so. The calculations of interest cover, of course, both Government and private borrowings.

Here are some figures which illustrate in a singular way how British exports are influenced by financial events.

EXCESS OF IMPORTS OR EXPORTS IN THE COLONIES NAMED.

			Excess of Imports.		Excess of Exports.
			£		£
Victoria.					
1879	..	..	580,368	..	—
1880	..	..	—	..	1,397,665
1881	..	..	466,418	..	—
New South Wales.					
1879	..	..	1,112,028	..	—
1880	..	..	—	..	1,575,063
1881	..	..	1,279,207	..	—
New Zealand.					
1879	..	..	2,631,459	..	—
1880	..	..	—	..	190,681
1881	..	..	1,396,179	..	—
Canada.					
1879	..	..	2,094,634	..	—
1880	..	..	—	..	284,342
1881	..	..	1,408,003	..	—

For some years prior to 1880 there had been a considerable and sometimes very heavy flow of capital to the Colonies named, but in 1880 this flow absolutely stopped and the Colonies were called on for remittances. The cause of this marked and decisive change was the financial crisis in Great Britain consequent on the failure of the City of Glasgow Bank, which took place at the close of the "seventies," and in 1880 so affected the British export markets as to bring about the results shown.

It ought also to be pointed out that the interest already actually paid on the borrowings of the Colonies are in some cases really equal to the borrowings themselves, gigantic though they are. On this point the following extract from the last edition of the "Seven Colonies"* is instructive:—

Under the condition of equilibrium between the introduction and the withdrawal of capital. . . Australasia would show an excess of exports representing the interest on State and other public loans, and the tribute due to private investors. This export for 1901 was £16,261,000, and it is, therefore, plain that Australasia might increase its indebtedness to the extent of over fifteen millions in any one year, and at the same time show an equality between its imports and exports. With this explanation in mind it will not be difficult to understand how, in spite of the fact that during the last thirty-one years the indebtedness of Australasia was increased by £314,816,000, the money or money's worth actually received, as represented by the excess of imports, was less than that sent away by £4,910,000. Such is the operation of interest as affecting a debtor country.

It is well to notice all these facts; to observe what have been some of the principal factors in working the exports to the Colonies up to the high figures they have assumed of late. If capital has not been flowing to one Colony it has been flowing to others and so sustaining this export. But if a lengthened period of commercial depression were to exist in the United Kingdom, the outward flow of capital might be absolutely suspended.

The increase of public expenditure in all countries, and the great piling up of debt in many of them, has created conditions that distinctly tend to increase the volume of commerce. Revenue is so essential that the advocates of restriction of imports find themselves compelled to be moderate rather than extreme; they cannot close the door, they must allow it to remain more or less open.

* Page 755.

CHAPTER XIV.

THE PREFERENTIAL TOWER OF BABEL.

THERE is a charm in mystery, and mystery is the charm of the system of Penalties and Preferences. If explanations, details, are not wanted, the language of the exponents of the system flows on bravely, just like that of the prospectus of some wonderful El Dorado; but if explanations, details, are invited, then the language of the exponents becomes like unto that of the Tower of Babel. The race-instinct of the British heart is appealed to, but not the practical instinct of the British brain. The proposals are brought forward as something new in the way of fiscal policy, but they find adherents mainly amongst those who have never ceased to love the old policy which was discarded by Britain half a century ago; others who, attracted by the glowing prospectus, have given support, have generally been found slipping—at an ever-accelerating speed—into the same old ditch. Born in fog, the proposals have lived on and in fog, and after ten or fifteen years' existence they show no signs of emerging therefrom; the searchlight must, therefore, be turned on. The searchlight will dissipate the mystery, and with the mystery will also disappear all the charm.

Now for the Tower of Babel:—

Discord No. 1.

The Colonies will supply the Empire with all food and be the market for British manufactures, and so increase Colonial commerce.

The Colonies can be used as a lever to force foreign countries to make treaties with Great Britain and so increase foreign commerce.

Discord No. 2.

The United States supply Great Britain with vast quantities of food. By putting taxes on American products the trade would be transferred to the British Colonies.

It would be statesmanship of the highest order to exempt American products from taxation.

Discord No. 3.

There would be no probability of offending foreign countries by making preferential arrangements with the Colonies.

A tariff war would certainly be provoked with America if Great Britain enabled Canada to secure trade now done by America.

Discord No. 4.

Put taxes on food.

Avoid taxing food.

Discord No. 5.

Put taxes on raw materials.

Avoid taxing raw materials.

Discord No. 6.

The Colonies would get better prices for their products.

The cost of living would not be increased.

Discord No. 7.

Each part of the Empire to receive equal, mutual benefit.

Each part of the Empire has special products, some cannot be "preferred," *i.e.* benefited.

Discord No. 8.

The Empire to be considered as one unit.

The self-governing Colonies to be specially favoured.

Everyone seems to be stamping on the corns of everyone else. 'Tis, indeed, a concert of discord. The strains of "Home, sweet home," come at times through the din, and much may be forgiven and forgotten in consequence, but the brain must be alert when sentiment is active. Criticism as keen as the interests are vast is essential.

Each of the eight propositions, and each of the eight counter-propositions, have been put forward and been held with more or less force. That these discords can make harmony is, surely, impossible. There can be no disputing the fact that it is desired to encourage production in the Colonies by—what? "A preference." Now "preference" (like Mesopotamia) is a word that has a comforting sound, but is it translatable into £ s. d.? There can be no doubt that it is so translatable—and that, in short, it means money. If it does not mean that, then it means nothing. That it does mean money is proved by the fact that some preferentialists are afraid to bring raw materials within the circle of influence because it would increase prices and so endanger manufactures. "Preference" means *money* to those who produce the commodity that is "preferred." If, then, money is to be paid, whence will it be obtained? That is the kernel of the whole matter. In Australia the restrictionists have a theory—occasionally approaching a belief—that the foreign exporter (not the consumer of the goods) pays any customs duties. It is just here that the fog, the mystery, is most in evidence. But when men take their heads out of the clouds, and look at the matter with the eyes of everyday common sense and lifelong experience, there is no longer any fog or mystery. It is clear enough. If the man who grows the wheat obtains more money, the man who buys the bread must pay it. Preference means money, and the payment of money means taxation—public taxation *plus* private taxation in this instance. The British Parliament is to

say that there shall be a certain tax laid upon all wheat imported from foreign countries into the United Kingdom—that would be public taxation. The producers of Colonial and British wheat finding foreign put up in price by the public tax would raise their prices the same amount—that would be private taxation. Hence, whether a British consumer ate bread made of foreign, Colonial, or British wheat, or a mixture of two or of all three, he would equally pay the taxation. As with wheat so with other articles, in proportion to the preference or tax.

One of the most singular results of the preferential campaign has been a suggestion by the *Times* with regard to the United States. There is no doubt that Canada is hurt both in pocket and in sentiment by the action of the United States tariff, and that that hurt feeling is largely responsible for the desire to get "preference" for Canadian products in the United Kingdom against those of the United States. The *Times* espouses the cause, and then knocks it all to bits. When people get their heads in the clouds they hardly know where their feet are taking them. Look at this table :—

IMPORTS INTO THE UNITED KINGDOM, 1902.

	From British Colonies.	From United States.	From other Foreign Countries.	Total.
	Mill. £.	Mill. £.	Mill. £.	Mill. £.
Meat (dead and alive) ..	10 ..	25 ..	12 ..	47
Wheat and flour	8 ..	22 ..	6 ..	36

Meat and bread are the two great food products, and the imports aggregated 83 millions. Out of the whole total only 18 millions came from foreign, outside Anglo-Saxon, countries, and this 18 could be supplied also, out of the shipments now sent to Europe. This means that as the British Colonies, *plus* the United States, are already able to fully supply the United Kingdom with meat and bread there would be no scope for the operation of a preference. You must want more than you have to be able to give a preference—if you already have all you want then you can give no preference. The aggregate imports into the United Kingdom from British countries and the United States combined are about one-half of the total of British imports. If to the one-half be added the raw materials in the other half, which Mr. Chamberlain wishes to exempt, three-quarters of the whole would be exempt. After which it would be a simple thing to add the other quarter, and the result would, of course, be the British tariff as it exists to-day. All the world alike, no penalties and no preferences.

The *Times* has found out that successful discrimination against the United States would be sure to provoke a tariff war. If the United States retaliated, why should not other countries do likewise? If a country not only professing but believing in the wisdom of a policy of free commerce should adopt a system of restriction, it is only natural to suppose that countries that both profess and practise restriction should

eagerly press that policy to its utmost extreme when they found themselves differentiated against. It must never be forgotten that in many countries the policy of restriction is so moderate as scarcely to be worthy of notice. It is foolish to talk of those countries where the policy is severe as if they were the world.

If Great Britain, expecting ultimately to reap some harvest by the outlay, agreed to a scheme under which the British people paid so many millions a year extra for certain Colonial products, it would be foolish, it would show ignorance of human nature, not to expect that there would be dissatisfaction in any Colony that received little or nothing out of such money. Take South Africa : it has passed through a very sorry time of late ; it would ill accord with the fitness of things to shut South Africa out of participation in any favours that other Colonies were obtaining because she had no wheat, or meat, or butter to export. Dissatisfaction and heartburning would be an inevitable result of Imperial favours being distributed with a partial hand. Although this is so, it is certain that the Colonies are being put in a false position ; they are being made to appear as willing to accept large gifts of money from the people of the Motherland. Nothing could be more mistaken or unfortunate than such an idea. In Canada, where the preferential scheme has its greatest support, it is certain that the people generally are of the opinion that the tariff concession which they have made is an ample return for all they would obtain ; they have only to be made acquainted with the burden that would be put on the people of the Motherland to at once withdraw their proposals.

It has to be recognised that the admission that raw materials would be made dearer by duties at once cuts away all the ground from under the feet of those who argue that a similar result would not accrue from duties on food products. The subject of these duties is dealt with in other parts of this work.

CHAPTER XV.

COLONIAL PRODUCTS AND PREFERENTIAL TREATMENT.

ONE of the first things discovered in examining the proposal for giving "preferential" treatment in the United Kingdom to Colonial products is that, though it would be possible to benefit some articles, it is not possible to benefit others. The truth is that the Empire as a producer is greater than those people who want to coddle it think it is. The United Kingdom is a great manufacturing country, but the other sections of the Empire have already attained importance as producers of raw materials and food. The Empire, big as it is, is not big enough to consume all that the Empire already produces of some commodities. The people who are unhappy about the trade conditions of the Empire seem to have two troubles, (1) the world is not buying enough from the United Kingdom, and (2) the world is buying too much from the Colonies. Again and again reference is being made to the trade done between the Colonies and foreign countries, but if the United Kingdom cannot buy all the Colonies have to sell, and the surplus is in commodities that other countries can buy, what then? In commodities such as these it is idle to talk about "preference." There are almost as many ideas as to the method of carrying out the penalty and preference scheme as there are advocates of it. Some would draw everything into the net, some would exempt raw material and attack food, others would exempt food and attack everything else. For this reason ground must be gone over, some of which might have been avoided had there been unanimity.

One of the greatest products of the Colonies, by far the greatest of Australia, is wool. What is the position in this trade? In 1902 the United Kingdom imported wool as follows :

	Million £.			
From the Colonies	16·5
From foreign countries	3·4
Total	19·9

Of this were re-exported the following :

	Quantity. Million lb.				Value. Million £.	
To Germany	85·7	..	3·2
To Holland	21·8	..	0·9
To Belgium	36·3	..	1·3
To France	79·3	..	2·9
To United States	54·9	..	1·5
To other countries	5·8	..	0·2
Total	283·8	..	10·0

These figures are given in full because there are those who persistently ignore them. In addition to all this Colonial wool the countries named took £930,000 worth of English grown, and they also took wool direct from the Colonies, mainly Australia, to the value of seven millions sterling. Now it is clear the United Kingdom could by a duty keep out the whole of the imports from foreign countries, but as the quantity of Colonial wool would be still far beyond the British consumption, the surplus would have to go to foreign buyers, and in no shape or form could the Colonies be benefited by the fact that the foreign was kept out of the United Kingdom. Nay, the Colonial would probably be injured because the woollen manufacture both in and out of the United Kingdom would have been interfered with.

Whether or not it is desired to give a "preference," *i.e.* an increased value to Colonial wool, these facts show that it is impossible to do it. But whilst a duty on the foreign would be of no good to the Colonial producer, it would damage the British shipping trade, lessen payments now distributed in London in connection with the handling of the foreign, and it would deal a severe blow to the position of London as the world's wool market. One would think that the people who claim a monopoly of love for the Empire would treat import and export returns on an Empire basis, and if they did this they would give Europe credit for the purchases of products which are produced within the Empire, though not within the United Kingdom.

Now take a product in which Canada is largely interested—cheese. The course of the cheese trade has been singular and instructive. There was a time when the United States supplied the United Kingdom with almost all its imports; now Canada is doing so. The change is natural and good for both. The United States require, can afford, the cheese for their own now numerous people. The following are the imports into the United Kingdom during the last three years:—

	1900.		1901.		1902.
United States	£1,740,749	..	£1,274,061	..	£962,112
Canada ..	3,799,223	..	3,697,660	..	4,301,859
Holland ..	799,632	..	747,613	..	668,303
New Zealand	218,376	..	193,868	..	131,534

There are some other small items, but substantially Canada and New Zealand supplied 71 per cent. Part of the remainder are specialities with which other kinds do not compete. Of the ordinary makes Canada and New Zealand really supplied about 80 per cent. They are, therefore, on the very verge of supplying all the consumption, and with a return of good seasons in Australasia, the quantity of Colonial cheese available may soon not only equal but exceed the requirements of the United Kingdom. Cheese production, then, has nothing to gain from "preference."

Take next that very important commodity—tea, in which India and Ceylon are so greatly interested. The development of this trade in a brief period is quite remarkable; indeed, it is one of the wonders of commerce:—

TEA IMPORTS INTO THE UNITED KINGDOM.

Year.	From China.				From India and Ceylon.			
	Quantity.		Value.		Quantity.		Value.	
	Mill. lb.		Mill. £.		Mill. lb.		Mill. £.	
1881	..	162.2	..	8.0	..	45.4	..	3.1
1902	..	17.4	..	0.5	..	264.8	..	8.0
		—		—		—		—
Increase		—	..	—	..	219.4	..	4.9
Decrease		144.8	..	7.5	..	—	..	—

If twenty years ago a "preference" had been given to the teas of India and Ceylon in British markets, and only one-half of the growth indicated above had taken place, the result would have been claimed as a triumph for the penalty and preference system. India and Ceylon, unaided, have gradually taken possession of the market, and last year, for precisely the same sum of money, gave the United Kingdom 63 per cent. more in quantity and probably 90 to 100 per cent. more in quality than China gave in 1881. Who can measure the increase of the enjoyment of life which these simple figures indicate? And do not these figures show how safe it is to allow development to proceed on natural lines? But the point just now is that India and Ceylon practically supply the British market, and that therefore the tea of the Empire cannot be helped by any preferential scheme. The Australian import returns show similar results to those of the United Kingdom.

Tallow and Stearine.—Here again Australasia is interested, and here again the United Kingdom fails to consume the surplus of the Colonies. A fair amount is exported direct from the Colonies to foreign countries, and the British returns themselves show the following results:—

TALLOW.—IMPORTS AND EXPORTS, UNITED KINGDOM. AGGREGATE OF YEARS 1900, 1901, AND 1902.

Imports from Australia.	Imports from Other countries.	Re-Exports.
£4,267,396	£3,609,754	£3,691 409

Without taking count of the shipment made direct to foreign countries from the Colonies, or of the shipments from other Colonies included with "other countries," it is clear that the United Kingdom is fully supplied at present by Australasia alone. It is idle, therefore, to talk of "preference" in regard to tallow.

Hides and Skins.—In these lines India alone yearly exports to the value of six or seven millions sterling, which, with the exports of other portions of the Empire, provides an aggregate which makes the purchases of foreign countries very comforting to the producers who, here again, would be unable to benefit by any scheme of penalties and preference.

Tin.—This is another not inconsiderable commodity where foreign countries come to the rescue. Australia is interested in tin, but it is

a speciality of another British country—viz. the Straits Settlements, which alone, unaided by any other part of the Empire, produces more than the United Kingdom requires ; thus :—

TIN.—IMPORTS AND EXPORTS, UNITED KINGDOM. AGGREGATE OF YEARS
1900, 1901, 1902.

Imports from Straits Settlements.	Imports from Other Countries.	Re-Exports.
£9,825,483 ..	£2,903,637 ..	£7,834,591

It seems certain from these figures that the people of the Straits Settlements would find their “preference” to consist very much of the stuff of which dreams are made.

Jute.—This is a specialty of Indian production. India exports a good deal direct to other countries, and of the quantity imported into the United Kingdom about one-third is re-exported to foreign buyers. Again is “preference” impossible.

Rice.—It is enough to say that in this commodity India alone could supply the wants of half a-dozen United Kingdoms.

There are a considerable number of other commodities which have to be classed with the foregoing, such as palm oil, cocoa-nut oil, pepper, ginger, rum, sago indigo, woods such as mahogany and teak, certain seeds and nuts for expressing oil, dye woods, various drugs, gutta-percha, pearl shell, fish such as salmon, etc., in all of which commodities the production of the Empire is in excess of the consumption of the Empire, consequently in none of these would any advantage accrue to the producers by reason of any “preference.” Looking at the long list of important articles that could not possibly be given preferential treatment—in plain English could not be protected—it must at once be admitted that the scheme would be, as all such schemes are, a delusion and a snare.

The British Customs returns do not separate the re-exports of Colonial goods from those of foreign, and indeed it is quite remarkable how little attention is paid to the re-exports ; how small a part they play in the general discussion of the position of British commerce. These re-exports in 1902 amounted to 66 millions. A careful study of the figures indicates that the re-export of foreign goods was about 9 per cent. of the total of such imports, whilst the re-export of Colonial goods was equal to about 26 per cent. of the total of these imports. This calculation assumes that if, say, 50 per cent. of the imports of a given article be from the Colonies, that the re-export of the same article will also contain 50 per cent. of the Colonial ; a calculation which is sure to be wrong at times, but is probably fairly correct in the aggregate. It appears, then, that out of 107 millions of imports from the Colonies that about 28 millions were re-exported, having been bought almost wholly by foreign countries. Here is a fact to be weighed and remembered in both the United Kingdom and in the Colonies. What a satire it is on the argument about a self-contained Empire and on the proposals to augment Colonial production ! Here are great quantities of goods produced by the Colonies, which the

United Kingdom does not want and which foreign countries do want, and which are simply additional to the large purchases made in the Colonies themselves by foreign countries. These figures show another thing: that is that the Free Trade policy of Great Britain is good for the Colonies since it makes a market which otherwise might not exist. "Look what the Colonies buy from Great Britain." Well, look at this transaction—Australian wool goes to England, thence to Germany. Germany pays England with sugar, and England pays Australia with manufactured goods. The three countries are all benefited, but the people who do not look below the surface fail to see the connection between Germany and Australia. There have been many a million pounds' worth of goods sent by the United Kingdom to Australia because Germany had bought Australian wool. Of the whole re-exports probably 38 millions represented foreign and 28 millions Colonial goods.

Having looked at that portion of the Colonial trade which "preferential" policy in the British market could not benefit even at the outset, now look at the portion which for a time, at any rate, certainly would under the cover of a tariff be able to exact from the consumer the amount of a tax in addition to the market value. It is mainly under the heading of food that the imports are to be found that could be subjected to "preferential" treatment. Food is the material on which the life, the health, the strength of the people depend, and it might be thought doubtful wisdom to do anything that would restrict the supply of food, and so lessen strength and health and shorten life. But when once a man gets thoroughly inoculated with the preferential or protective virus he rises superior to all these small feelings of sentiment. A beneficent Creator may provide ample supplies of food, but that does not prevent superior wisdom stepping in and restricting the quantity.

(The whole of this last paragraph is taken from an article written by the author in 1896 and published in Sydney. It is copied and the fact is mentioned in order to show how, at the very first, taxes on food looked to the author.)

Important as are the commodities which could not be preferentially treated, they are comparatively small in comparison with the big items of food which could be so treated. The principal of these are bread, meat, butter. The question to be looked at now is how far could these commodities be preferentially treated in Great Britain for the benefit of the Colonies, and how far in the end would the Colonies be likely to be benefited? Just a cold-blooded mercenary view of the business, without any remembrance of the life-interests at stake. Suppose the British consumption of the three commodities named be taken as follows:—

	Imported.		British.		Total.
	Mill. £.		Mill. £.		Mill. £.
Meat (dead and alive)	..	47	..	56	.. 103
Bread (wheat and flour)	..	36	..	10	.. 46
Butter	..	21	..	10	.. 31
		104		76	180

The people of Great Britain spend 180 millions sterling a year on these three descriptions of food; careful investigation may vary the figures, but the argument will not be affected thereby. If Customs taxation on the imports from foreign countries be imposed, the result is, of course, to raise the cost of the foreign by the amount paid to the customs; but if the value of the foreign be raised, the value of the Colonial and of the British is raised at the same time and equally. There can be no mistake about this being the case, but the point is dealt with elsewhere. If, then, the duty on the foreign be fixed at 10 per cent., or its equivalent, on meat, bread, and butter, it would mean that the consumers would have to pay 18 millions sterling extra on the amount of the commodities now being consumed. But the consumers have to make ends meet. For years values have been decreasing and quantities have been increasing; it is easy to reverse the process, and by increasing the values decrease the quantities. If the people have only 180 millions to spend on these foods, then the result would be: food 164 millions, *plus* duty 16 millions, total 180 millions. That is on the basis of quantity a fall of 16 millions. It would not work out quite like this, for the commodities in question are the necessaries of life, and it is in luxuries that retrenchment begins.

But, please note, the moment you give the British producer the natural price *plus* 10 per cent. he has inducements to enlarge his production. What happens, then, is this: more is produced locally, and at the same time less is being consumed. If the total consumption were reduced by only five millions and the local production were increased by five millions, then the final result would be that ten millions less would need to be imported. That result is arrived at by taking very moderate figures, but what a result to achieve in an effort to increase trade with the Colonies! One of the admitted objects of the advocates of a changed fiscal policy is to increase agricultural production in Great Britain. It is a fact for Colonial preferentialists to bear in mind. The two influences working together—decreasing consumption, increasing local production—would rapidly and radically alter the position, and the Colonies would find the great markets of the United Kingdom shrinking, slowly perhaps, but surely.

The effect of a tax upon a commodity is necessarily in proportion to its amount, but of course it may be assumed that the supporters of the scheme for diverting from foreign countries to British Colonies the demand for food products wish for duties high enough to bring about the result they seek. Let us think of what takes place in the ordinary family when living becomes dearer. Savings have to be effected, and naturally they begin in the luxuries. Dress, amusements, food specialities suffer, then come articles like meat and butter. The consumption must be cut down. The law of necessity reigns. Probably the sale of bread, instead of decreasing, might increase, because whilst less meat is eaten more bread must be eaten. To the Colonial producer, especially the Canadian, the British consumption of meat and butter is far more important than that of grain, and therefore they should look

closely into the subject of the inevitable result of making meat and butter dearer to the consumers. Probably in no other two commodities has consumption increased by the leaps and bounds which have marked these two. The Colonial producer of these articles is deeply interested in maintaining the trade at its fullest volume; that is the policy that will, over a period of years, yield him the best results. It is a safer basis than any political scheme. It is quite in the power of politicians to destroy the trade in some of the lines which to-day are the most profitable of all to the Colonies.

As for wheat, the quantity required by Great Britain is so enormous that it would take a good many years in spite of a "preference" for the Empire to overtake it; but the time would come when that point would be reached, and when it was reached there would, of course, be an end of any "preference" for the wheat producer, and whether in Great Britain or in the Colonies he would awake to find that he had been made a fool of. In all soberness it may be asked if steps were taken to stimulate the production of grain in the Colonies is it not very likely that the results would be highly unsatisfactory? In few other commodities has the profit of production fallen so low, and probably nothing could happen so likely to prove injurious to the world's producers at large as for the greatest import market of the world to offer inducements for a great increase of production. It is well to remember the ultimate result of increasing the supply; it would tend to decrease the value all the world over. A preferential duty of sixpence per bushel would probably, in the course of three or four years, so stimulate the production in the Colonies that the world's price might be brought down more than sixpence per bushel, in which case the British and Colonial producers might find themselves by this action of the duty *plus* sixpence but *minus* ninepence. It is obvious that foreign countries would continue their full production of wheat, for they would continue selling as they do now at the world's value. A British "preference," therefore, might lead to a disastrous surplus. Such perils do men risk who outrage natural laws.

The increase that is taking place without any "preference" in the proportion of agricultural produce which the United Kingdom is receiving from the Colonies ought to satisfy every reasonable man. With regard to the United States, their population is now becoming so great that it is more than doubtful if they will long be able to spare the large quantities of meat and grain which they have done for some years, and there exists, therefore, a natural opening for the Colonies. The States have had no butter worth speaking of to spare for export for some time, and the same position is fast coming about with regard to cheese. As to mutton, the Colonies have the bulk of the trade. In brief the States supply large quantities, dead and alive; but it appears only requisite for improved shipping facilities to become general for the Colonies to take a much larger share of this business. At best, the preferential scheme could only force a position that seems coming about naturally, and which, so coming, would rest on a solid foundation. At the Colonial Conference of 1902, Sir Wilfrid Laurier, the Premier of Canada, said :—

In Canada I know the wheat fields are all the time increasing, and I have no doubt that by-and-bye she will not only be able to supply the markets of Great Britain, but also the markets of the United States, because I look upon it in the near future that the United States will not be the exporters of wheat, but rather the importers.*

It is clear, then, that even in Canada itself, the view is held that the expansion of the wheat trade of the Colonies is coming about naturally.

Dr. Parkin, in his "Imperial Federation," refers at some length to the subject of the increasing internal consumption of the United States, and he quotes from a number of authorities with a view to show that changes are coming about. He says :— †

Whatever may be thought about the precise point of time, the tendency is manifest. Within a measurable time the Empire will, by the natural progress of events, mainly supply its own markets with wheat, and, it may be added, with the second most important article of consumption—meat.

Space cannot be taken for extended information or argument on this subject, but it may be said that the progress of wheat-growing in the Empire is sufficiently rapid for sound and profitable farming, and that as the margin of profit on wheat production is so admittedly small it would be a grave mistake to do anything that would tend to over-production : glutted markets and prices lower than ever.

Colonial advocates of preferentialism must be blind indeed if they do not see certain consequences that would result from the policy they desire Great Britain to adopt; the same policy is being advocated by other persons for reasons and objects not only different but antagonistic to the reasons and objects which actuate them. Their only desire is to make the Colonies the markets—almost the sole markets—for what Britain sells, and sources of supply—almost the sole sources of supply—for what Britain buys. But other people argue that if special arrangements are made with the Colonies it will then be easier to arrange commercial treaties with foreign countries. Britain now is disarmed, they say, arm her with tariff powers of differentiation, and foreign countries will then make treaties with her which to-day they will not. A writer, referring to Great Britain and the United States, says :— ‡

If, therefore, Mr. Chamberlain's policy is adopted, one important result will be to make the path of British diplomatists easier. Instead of causing friction, as many persons believe, it will, on the contrary, bring the two peoples closer together. The British market is too valuable to the United States to be lightly lost; it is so valuable that it is worth while making extraordinary efforts to retain it. So long as the American people feel secure of this market they can be indifferent, but with the knowledge that a British Colony may be favoured to their cost they will be willing to make concessions, both political and commercial concessions, which will be for the advantage of England. From that standpoint, dissociated from the broader and more complex question of Imperial policy and the complicated fiscal system of world-wide Empire and trade, a preferential tariff between the Mother Country and her Colonies must be regarded as a very wise, far-seeing, and statesmanlike policy, bound to produce practical results.

* Conference Report, page 50.

† Page 151.

‡ A. Maurice Low, *National Review*, July, 1903.

"Practical results"—not in the direction of commerce with the Colonies, but with other countries! It is reasonable to expect that if people in one part of the Empire try to use the Empire to further the interests, or, what they judge to be the interests, of their part, that people in other parts of the Empire will also try to use the Empire similarly in their respective parts. If Colonial producers will weigh the subject carefully they cannot but come to the conclusion that if a system of penalties and preferences be introduced into Great Britain that change will follow change, that interest will clash with interest, and that the promises of advantage, irregular and uncertain at the start, will prove disappointing in the end.

M. Yves Guyot, with very clear insight, says:— *

The protectionist spirit produces in a man both the mania of persecution and the mania of being persecuted. Every claimant for protection wants to make out, and ends by believing, that he is the victim of all his compatriots, who are more favoured than himself, and he diverts a large share of his strength, initiative, and vital energy to endeavouring to procure more protection at the expense of others. France is cut into sections by the protectionist spirit, and it is a strange delusion to suppose that differential tariffs will draw closer the bonds of solidarity between the United Kingdom and the self-governing Colonies. Every Colony will think that it is sacrificed to the others.

Everyone who has had experience in the matter knows that the eminent French economist is perfectly right and that the scheme of penalties and preferences cannot be carried out without causing heart-burnings and misunderstandings between the Colonies themselves.

The position of the Colonies, then, as regards preferences in the United Kingdom is (1) that a considerable number of important commodities, by reason of the already large production, could not be "preferred"; (2) that as regards the others the value of the preference would be constantly decreasing, and gradually terminating in one commodity after another; (3) that the scheme would inevitably reduce the total consumption of colonial commodities in the United Kingdom by (a) increasing British production and (b) raising prices; (4) that the scheme would be used as a lever for treaties with foreign countries; and (5) that any benefits would be so unequally divided between the Colonies as to create discontent. The facts show that the Colonies are yearly securing a greater share of British purchases, and it seems to be sound policy to allow Colonial development to proceed on natural lines.

* In the *Fortnightly Review*, July, 1903.

CHAPTER XVI.

THE COLONIAL CONFERENCE OF 1902.

THE report of the Conference of Colonial Premiers in 1902 contains ample evidence of the utter impracticability of the system of penalties and preferences, and at the same time demonstrates the fact that the conditions of the Empire vary so much that interference with the natural flow of commerce in one direction must inevitably cause conflict in other directions. The sincerity of everyone who took part in that Conference is undoubted; that each one desired to promote the prosperity of the Empire is unquestioned. Yet there was no feeling more strongly, if as strongly, expressed, as that of the determination of Colonies that had adopted restrictive tariffs with a view to foster special industries, not to reduce the duties if by such reductions the industries concerned were likely to be affected. Here was the danger-signal distinct enough. The present generation of Englishmen, happily exempt from personal contact with tariff quarrels, do not know the iron strength, the political power of state-fed industries. But the men who for many a long year have been fighting for free commerce in Australia, and in other distant parts of the Empire—*they know*. It has to be recognised in Great Britain that at the back of the restrictive policy in Australia, in Canada and elsewhere, not only is there the strength of self-interest, but also much honest conviction. However selfish the one, and however mistaken the other, the influences are there; and where they exist, there they must be fought and overcome. Until they have been overcome, enormous value attaches to them in the minds of the people, therefore enormous is the price that is asked in return for any concession. When it is sought to bring into line several communities, all more or less eager to get much for little—for that is really what it is—the floodgates are opened.

So far as the commercial aspect of the Conference was concerned it was a hollow sham. The Commonwealth of Australia was represented by its Premier, Sir Edmund Barton, himself a restrictionist of a mild type, but having some restrictionists of quite a "live" character in his cabinet. He must have felt a little the humour of the situation. Whilst he was talking about increasing the commerce between the United Kingdom and Australia he knew that his colleagues were at the same time piloting a tariff through the Federal Parliament which they claimed would largely decrease Australian imports, and that they had been for eight months fighting the amendments of the Free Traders, in which fight he had himself been engaged until he sailed for London. To

make the Australian position clear it is worth while showing what had taken place. On October 8th, 1901, in making the first Federal financial statement, Sir George Turner, the Treasurer, said :—*

We estimate that the result of the tariff will be to reduce our imports by about £5,000,000, there being a decrease of manufactured articles and an increase of raw material.

Mr. Kingston, the Minister for Trade and Customs, said :—†

We have got £26,000,000 to deal with, and from that we propose to make a . . . deduction of £5,000,000, because this tariff will stimulate industry in Australia, and the result will be that we shall ourselves produce many things that we require to import to-day. That will be to our eternal advantage, because we shall become, as we ought to, a self-contained community. . . . With the large market, the stimulus of the tariff, and the sheltering hand of protection against foreign and cruel competition, against prison-made goods, or goods produced with the cheapest possible labour and under conditions with which our employers and our men cannot compete, there will be a development throughout Australia.

Thus the ball was set rolling, and for long months the Ministers and their supporters filled the air with oratory about the competition of the people who live outside Australia. When the Premier had been thoroughly saturated, he was dispatched to London to the Conference. In this saturated condition Sir Edmund Barton attended the Conference, talked about the Empire, about trade with Australia, said many nice things, smiled, and came back again. He left the Conference with the understanding that he was "prepared to recommend" to his Parliament "preferential treatment of British goods on the following lines :—Preferential treatment not yet defined as to nature or extent." Sir Edmund Barton, having thus been sufficiently comprehensive and vague, lost no time in carefully forgetting the subject, and has now forgotten it for a whole twelvemonth. The matter, has, however, been mentioned in the Commonwealth House of Representatives. On June 3rd, 1903, Mr. Kingston, the Minister for Trade and Customs, said :—‡

It is, however, a great disappointment to many that hitherto no preference has been shown by Great Britain to her Colonies, or by her Colonies to Great Britain ; but may the time speedily come when some arrangement in that direction may be made which will be satisfactory to both the contracting parties. I do not forget our difficulties in the way of revenue, but it is patent that we might give the United Kingdom preference over foreign countries without any inexpedient loss of revenue *by keeping our duties as they are so far as England is concerned, and raising them against others* whom we have no reason to similarly favour. What is the value of our patriotism and imperialism if we do not differentiate between our brothers and the citizens of the Mother Country, and those who would willingly bring about our downfall at the earliest opportunity ? Those who brag about the connection with the Empire, and refuse to give her people the slightest consideration, are indubitably open to blame.

* "Hansard," page 5,680.

† *Ibid.*, page 5,702.

‡ *Ibid.*, page 462.

This may well be followed by a quotation from the budget speech of the Treasurer delivered on July 28th, 1903. Referring to the estimate of customs revenue from imported goods, Sir George Turner said :—

It is clear from investigations I have made, that there have been in many lines an increased manufacture of goods in New South Wales. There has been a very large increase in the consumption of Australian goods by the States of New South Wales, Queensland, and Tasmania, and not quite so large an increase in the consumption of other States.

These quotations represent practically what has occurred in Australia since the Conference: some tall talk about the Empire, accompanied by the suggestion (printed in italics) and a remark that the policy of keeping goods out is succeeding.

The Conference was arranged on the initiative of Canada. The Coronation was to take place, and it was proposed to take advantage of the gathering which that event insured to bring the Premiers together. So far as the great Coronation function was concerned, the Premier of Australia was indeed the mouthpiece of the heart and intellect of Australia, but so far as the Conference was concerned he had absolutely no power, and the only interest taken by Australians in the Conference was to make it certain that they were in no way committed to anything. That Sir Edmund Barton recognised and accepted this position is made clear enough by replies to questions asked in the Senate, and answered by the Vice-President of the Executive Council, on March 19th and April 11th, 1902, as follows :

1.—The Prime Minister does not intend to take any important steps of new policy except subject to the decision of Parliament.

2.—The Prime Minister is fully alive to his responsibility to Parliament, and does not intend to pledge the Commonwealth so as to deprive Parliament of its perfect freedom of action.

Presumably every other Premier occupied much the same position. The Conference, therefore, was a meeting-ground for friendly talk, not for business: to compare notes, not to create a policy.

Now to refer to the Conference Report. In his opening address Mr. Chamberlain seems to have taken very strange ground. Thus he said :— *

The United Kingdom . . . derives the greater part of its necessaries from foreign countries, and . . . it exports the largest part of its available produce—surplus products—also to foreign countries. *This trade might be the trade, the inter-imperial trade of the Empire.* It is at the present time, as I say, a trade largely between the Empire and foreign countries. Now, I confess *that to my mind that is not a satisfactory state of things.*

This is a very remarkable statement. The able Colonial Secretary apparently seems to have lost sight of a most simple and elementary fact, which is, that population is required before trade can exist. There

is absolutely no foundation for the assertion that the foreign trade of the Empire might be the inter-imperial trade of the Empire. The Colonies could not buy the goods which the United Kingdom sells to foreign countries : the Colonies could not produce the goods which the United Kingdom buys from foreign countries : they have not the people to consume the former, nor to produce the latter. The point is not even arguable.

Mr. Chamberlain continued that "free interchange" was the object for which His Majesty's Government would "gladly strive." Very clearly and accurately he showed how the Colonies might collect more or less revenue from the Customs without infringing on the principle of free interchange :—

In my mind, whenever Customs duties are balanced by Excise duties, or whenever they are levied on articles which are not produced at home, the enforcement of such duties is no derogation whatever from the principles of Free Trade, as I understand it.

He was right in adding that "it would be impossible to over-estimate the mutual advantages" that would result. Then his argument seemed to proceed : "Well, gentlemen, if we cannot get what we look on as the supreme good, what can we get, what will you give?" This was practically Mr. Chamberlain's question. He certainly received an answer of a most emphatic character ; disguised as the answer was by courtesy and political terms, it was nevertheless emphatic. Briefly summed up, it was that the lion in the path, local restriction, was too powerful to be removed, but that, so far as the lion permitted, steps would be taken to promote commerce with the United Kingdom. It was even made clear that the lion dominated the position in Canada, and would not forego any provision to which it had become accustomed.

Mr. Seddon, the Premier of New Zealand, said :—*

Apart from the question of revenue, there is the question of Colonial industries, which are protected under existing tariffs, and which might be interfered with if the tariff now existing were reduced to give the rebate on the British manufactured goods. That, of course, would be a matter to be decided by the respective Parliaments. There are some goods upon which you could give the rebate without interfering with the Colonial industries. Others again, you would have to raise the amount upon the foreign goods, and still give the preference to the British manufacturer.

On another occasion Mr. Seddon said :—†

As I said in my speech with respect to industries, we may have to raise the duties on foreign goods the same as Canada has done, leaving the present tariff on British goods and not prejudicing our industries.

In passing it may be noted that Mr. Seddon expressed very strange opinions as to the value to Great Britain of the concessions he was prepared to recommend New Zealand to make. He proposed that 10

per cent. should be deducted on duties when the goods came from the United Kingdom. This meant £150,000, which, said Mr. Seddon :—

Would be equal to paying the interest on five millions of money at 3 per cent., and correspondingly you might say that the Colony of New Zealand by paying this would be paying the interest on five battleships that might cost a million each.

This is a fair illustration of the fog in which the adherents of the penalty and preference system live, and move, and have their being. The taxpayers of New Zealand would not, as a matter of fact, pay the £150,000 at all, they would simply keep that amount extra in their pockets. The interest on the battleships is a piece of fiction.

Mr. Fielding, the Canadian Minister of Finance, said :— *

We do not profess that we want to introduce British goods to displace goods made by the manufacturers of Canada. That is a point upon which we must speak with great frankness. Whether or not it was a wise policy for Canada to foster her manufactures by high duties is a point hardly worth discussing now; we must deal with things as we find them. We had very high duties under the former tariff. The present Government have reduced those duties very materially, especially in the case of British goods. Many things of British manufacture paid 40 per cent., 50 per cent., or 60 per cent., but we have reduced these down now to 23 per cent. from Great Britain, and we think that in those cases we have gone about as far as we can without sacrificing our own manufacturers. The interests are very large: the interests of the capital invested, the labour and the banking interest, and the many other interests which cluster round a great industry. Therefore, if we are asked to reduce our duties and bring in British goods, and displace Canadian manufactures, we must frankly say it is not possible for us to do so. But we say it is quite possible to give an advantage to British goods in some cases by raising the tariff.

The honest frankness of this statement is noteworthy. The lion in the path is unmistakable. Further, Mr. Fielding said :— †

If you tell us this preference is of so little consequence that it is not to be placed to our credit at all, you must simply force us to consider whether it is worth our while to continue it. We have to fight a battle on this question. Some of our manufacturers fight us. They say, "We are ruined by this very severe competition." Then if we find that on this side of the water (in England) preference is not valued, can we continue it?

Could it be made clearer that an enormous value is put on a small concession? The State prizes to the favoured ones are somewhat reduced, and the favoured ones, who have been encouraged to think they hold a mortgage on creation, proceed to grumble. The lion roars, and the politician trembles. "Can we continue?" Certainly not, if politicians will keep lions of this sort, their political lives depend on the docility, not of the lions, but of themselves.

The Canadian Memorandum contains this paragraph :—

It might be noted that the Canadian Government has been attacked by Canadian manufacturers on the ground that the preference is seriously inter-

* Page 131.

† Appendix XIV., Conference Report.

fering with their trade. The woollen manufacturers have been foremost in the attack, and they have made very bitter complaints to the effect that the industry is threatened with ruin through the severe competition with Britain brought about by the operation of the preference. In brief, these manufacturers claim that the rates on woollens are too low to be protective of their industry.

The *Memorandum* shows that the Canadian woollen industry works under cover of 35 per cent. on foreign woollens, and 23 per cent. on British, besides the natural advantage of being on the spot.

The *Memorandum* expresses surprise at the growth of imports into Canada from foreign countries, blames British manufacturers for not taking advantage of their opportunities, and gives a list of imports in 1897 and 1901 in a number of commodities. Here are the first three of the thirteen commodities which are named :—

	1897.	1901.
Silks from Great Britain	\$1,396,015	\$2,107,032
Silks from other countries	592,290	1,618 991
Fancy goods from Great Britain ..	873,182	898,131
Fancy goods from other countries ..	607,524	1,032,582
Gloves and mitts from Great Britain..	228,427	215,122
Gloves and mitts from other countries	287,951	487,456

It is singular that the Canadians should not see the easy lesson of these figures. In 1901 under the influence mainly of a great expansion of production, Canadian prosperity rose rapidly. The people had more money to spend, and they bought the world's luxuries in increasing quantities. In the interval of four years, the imports from France doubled. That a thing is of French manufacture is almost a guarantee of its delicacy and quality. The women of Canada, like their sisters elsewhere, know what is good and charming ; when they have the money they buy such things, and if they think at all on the subject they laugh at the foolish legislation that would select their silks, gloves, and fancy articles for them. The British are not also French, Italian, German, Japanese, and a few other nationalities besides ; possibly if they were they might then be able to produce the commodities which are the specialities of other nationalities as well as those of their own, and be able by reason of the "preference" to do trade which at present they cannot. Probably the Canadians have not yet recognised that it would not be good for them to have the range of their markets limited even to the Motherland.

The Anglo-Saxon is the world's great spending race. They grow rich because they spend. The money accumulated is a bagatelle to that which is spent. The Anglo-Saxon is for ever asking, "What can I spend?" The Chinese, the other extreme, seems to be for ever asking, "What can I save?"—and he remains poor. The figures of Canadian imports first given speak eloquently of the fact that the Canadians know how to spend ; as they can afford to live, so they live. The more they make, the more they spend—sowing the seeds of future harvests.

To return to the more immediate point. There were laid before the Conference copies of resolutions passed by several Boards of Trade in

Canada. The following is from resolutions passed February, 1902, when it was thought Great Britain would impose a duty on wheat:—

Whereas, according to the Press despatches, it is the intention at the present session of the Imperial Parliament to levy additional taxes in order to meet the heavy expenditure caused by the war in South Africa and the large additions to the British Navy, and amongst other products which may be taxed wheat has been especially mentioned, Therefore, Be it resolved: That in the opinion of the Board, any tax placed by Great Britain upon products similar to those produced in this country should be so levied as to grant a preference to the products produced within the Empire.

This resolution was adopted in the same, or slightly different, terms by a number of Boards of Trade. How could such a resolution be passed anywhere within the borders of Canada? Only under a misapprehension of a most serious character; on no other supposition can it be explained. Look at the position. It was known that the war expenditure of the Motherland was very heavy, and that taxes, already increased, were to be augmented in weight and number. It was thought that the bread—mind, the *bread*—of the people was one of the things that would have to be taxed. Forthwith, resolutions were passed in Canada, practically saying, “Yes, tax the bread of the people of England, but then so far as Canada can supply the grain, send the product of the taxation to Canada.” A mere trifle per bushel on the quantity of wheat which the United Kingdom bought from Canada would mount up to a million dollars; the people of the United Kingdom were to be asked to pay it *because of the war*, but the money was not to be placed against war expenses, but be added to the profits of the Canadian farmers. This is the bare, the naked truth. But no one supposes that the people of Canada deliberately wished to transfer big sums of money from the pockets of the workers of the United Kingdom to those of the farmers of Canada. What then was the reason? The Canadians possessed an exaggerated, entirely erroneous, idea of the value to the United Kingdom of the Customs “preference” they were giving, and they thought they were justified in asking for the return they desired. Nothing was done at the Conference to put the mistake right; yet the people of Canada are too sincere, too true, to wish to follow—deliberately follow—a course unfair and unjust and injurious to the Motherland.

Between the two paragraphs of the resolution quoted there was a reference to the “tariff preference” given by Canada, and it was added:—

One of the results being that Germany has discriminated in her tariff against us by imposing practically prohibitory duties on our cereals, thus closing a valuable markets to our farmers.

This is further evidence of the enormous value put upon the “tariff preference” granted to the United Kingdom, and further evidence of the error that seems to inevitably permeate this subject. Practically, in a business sense, the German market has never been of any value to the Canadian farmer, and even if it had been, when Canada as yet

is able only to supply a small part of the British demand for wheat it would have made no difference. Wheat is wheat, and the surplus of the wheat-exporting countries is, in fact, only one surplus, and if every country in the world except the United Kingdom were to prohibit the importation of Canadian wheat it would not matter to the Canadian farmer. Of course, it is profitable for a country to have shipping coming from all parts of the world, but there should be some exactness in these representations. If a merchant loses a buyer who is accustomed to take, say, half of 1 per cent. of his goods, he does not worry about it, if he knows for certain that his chief customer who takes 60 per cent. is quite ready to take the other $\frac{1}{2}$ per cent. in addition. This is Canada's position, and her business men should not have made a mountain of a mole-hill. The political aspect is different, and is bigger than the business one; the business aspect was altogether too paltry to put forward with a view to influencing very serious matters.

Mr. Seddon handed in the following memorandum:—

PRODUCTS WHICH WOULD BEAR AN IMPOST NOT CHARGEABLE TO THE COLONIES,
BUT MIGHT BE IMPOSED UPON PRODUCTS FROM FOREIGN COUNTRIES.

Wool.	Grain.	Live Stock.
Meats.	Flour.	Hides.
Sugar.	Butter.	Timber.
Tea.	Cheese.	Wines.
Hemp.	Tallow.	

Everything New Zealand exports is included in this list. What Mr. Seddon *asked* for is clear enough. If Great Britain imposed a duty on wheat equal to 10 per cent., then New Zealand for every £1,000 worth of wheat which she sent to Great Britain would receive £1,000 *plus* £100, or £1,100.

What Mr. Seddon *offered* to recommend is also clear enough. If £1,000 worth of British goods now subject to 20 per cent. duty were imported into New Zealand, £200 was still to be collected, but if £1,000 worth of similar goods came from a foreign country, £220 was to be collected. Local manufacturers, said Mr. Seddon, must not be prejudiced, so the local manufacturer would still be protected 20 per cent. against his British rival, and would have 22 per cent. against foreign rivals. Because the British manufacturer was to have *two* per cent. less protection levied against him than against foreign manufacturers—which would scarcely influence trade in the least—British consumers of New Zealand food products were to be mulcted of tens and hundreds of thousands of pounds. The unfairness is obvious, but it would be an insult to the people of New Zealand to suppose them to be capable of knowingly formulating proposals of a character distinctly unfair to the Motherland. It was here that the Conference was a distinct failure. Proposals were put forward and were entertained which ought not to have been put forward at all, but which, being put forward, ought not to have been entertained.

Perhaps the most remarkable thing about the Conference was the easy way in which the interests of those portions of the Empire not

directly represented at the Conference were ignored, if not forgotten. The Conference assumed a lofty tone; "the Empire" was its objective, but it was not an "Empire" Conference. Important, useful, desirable as these Conferences of the Premiers of the self-governing Colonies may be, they yet work—most naturally—only within certain limits; and those limits are those of the political elements in the ascendant for the time being in the various Colonies which are represented. The Conference did not face the subject of India, and yet it is vital to an "Empire" arrangement. The United Kingdom does not feel alarm at trading with India, but some of the Colonies do. Until the subject is better understood the alarm felt in certain Colonies about the competition of the coloured races will continue; whilst and where it continues there will be no real relaxation of the restrictions which bar importations in the Colonies. To ask those who fear coloured labour to give it a preference in the case of British countries is to cause trouble, and to *compel* India to give a preference to countries that have adopted extreme anti-colour legislation, would be unjust. But the Conference was dumb on these points.

The possession of India constitutes the greatest and most solemn responsibility that has ever rested on any nation since the creation of the world. This responsibility cannot be ignored; it is recognised to-day; it must be recognised to-morrow. To-day India is at liberty to trade without let or hindrance with all the world. Its merchants and manufacturers may buy from whom they like, and sell to whom they like. Surely the people of Britain are not the people to check or curtail this liberty. Without consulting the hundreds of millions who make up India, without knowing or caring whether they approve or no, could a British (!) Parliament enact laws compelling them, except under certain penalties, to confine their purchases to the land of their conquerors? The very proposal is enough to make one's blood boil, whilst the political stupidity of the thing is remarkable. Pages might be written showing how such legislation would irritate and embitter the people. "Unite the Empire," indeed! Free people who can vote and legislate for themselves can do as they like with their own commerce. It is a different thing to impose restriction on the commerce of the conquered and the helpless. Besides India, there is a long string of British Possessions in various parts of the world where the people have no voice, but where their liberties are now secure. Will the day ever come when Britain will be less mindful of the liberties of her coloured subjects than she is now?

CHAPTER XVII.

“PREFERENCE”—FURTHER ADVOCACY.

EVIDENCE abounds of the enormous value which the Canadians put on the “preference” which their tariff confers on British goods—of the enormous payment to which they think they are justly entitled. Thus, Mr. John Charlton, M.P., and a member of the Anglo-American Joint High Commission on British Preferential Trade and Imperial Defence, says :— *

Canada desires preferential entry into the markets of Great Britain for her wheat, flour, oatmeal, animal products and fish ; and she desires the preferential treatment without surrendering the essential features of her own tariff policy, which is a moderately protective one. She would readily grant to Great Britain preferential treatment to a greater extent than at present, but she would probably decline to permit this preference to reach a point that would threaten her own industries, established under the moderate protection inaugurated in 1878. It may be assumed with confidence that neither Canada nor Australia can accept absolute free trade with Great Britain. The dream of certain classes in these Colonies is that preference, to an extent that would give them material advantage in the British markets over foreign countries, can be obtained, while they will be allowed to retain the distinctive features of their own policy at present in force.

There is no mistaking statements like these. “Material advantage” is expected in the British market, but the “distinctive features” of Canadian policy—restriction of imports—are not to be touched. Mr. Charlton further says :—

A preference of this amount (10 per cent.) as against the United States, Russia, and other food-export countries, would give to Canada and to the wool-growing and to the mutton- and beef-raising interests of Australia very important advantages.

Mr. Charlton is frank enough to speak of a substantial advantage, not of the almost invisible percentage some writers have named. He continues :—

She (Canada) has no preference in the British market whatever, while she gives British manufactures the preference above mentioned. When moderate duties were recently imposed upon grain by the British Parliament—amounting to 3d. per cwt. on wheat and 5d. per cwt. on flour—it was supposed that Canada, in return for the preference of 33½ per cent., would be relieved from the operation

of this taxation upon her grain products. This supposition was ill-founded, and no recognition of Canada's preference has been deigned by the British Government. The result has been a slight soreness of feeling, which could easily be made more acute by injudicious action in the future on the part of the Imperial Government. . . Last session I introduced into the House of Commons at Ottawa the following motion:—

“That this House is of the opinion that Canadian import duties should be arranged upon the principle of reciprocity in trade conditions so far as may be consistent with Canadian interests; that a rebate of not less than 40 per cent. of the amount of duties imposed should be made upon dutiable imports from nations or countries admitting Canadian natural products into their markets free of duty; and that the scale of Canadian duties should be sufficiently high to avoid inflicting injury upon Canadian interests in cases where a rebate of 40 per cent. or more shall be made upon the conditions aforesaid.”

Carefully note the wording of this resolution. Canadian products are at present admitted “free of duty” into the United Kingdom; but it is already clear that the author of the resolution wants the products of other countries to be dutiable, by 10 per cent., so that Canadian may be raised in value to that amount; and then—well, then the Canadian duties will be kept “sufficiently high” to prevent the United Kingdom being able to sell goods to any extent that would affect Canadian manufacturers. In brief—much for little.

“An Appeal from Canada” is the title of an article in the *Contemporary Review*.* The author, Mr. W. F. Hatheway, writes:—

We ought to . . . show Great Britain that she is unjust and unwise in not giving her Colonies—and particularly Canada and Australasia—a preference in her markets.

The present unsympathetic attitude of British statesmen towards Canada, shown more particularly in the failure to readjust their tariff and reciprocate our preferential rebate, is unworthy of their supposed sagacity and foresight.

It is deeply to be regretted that such sentences should be penned; such sentiments be held; but more still is it to be regretted that a Ministry exists in Great Britain that is not wise enough and strong enough to show Canada how mistaken she is, and how deeply she is indebted to the tariff policy of the Motherland for her advanced and advancing prosperity. To show how little real study has been given in Canada to the subject, it may be pointed out that Mr. Hatheway in his article suggests that the United Kingdom should levy a duty of “one penny a pound on all wool imported into the United Kingdom from any countries other than South Africa, Australia, and Canada.” Mr. Charlton's idea is 10 per cent. on wool. Now, neither of these writers, apparently, has the least idea that it is an absolute impossibility to bestow a fraction of advantage on Australia through any duty levied in the United Kingdom on wool from which the Australian imports would be free. This point is dealt with elsewhere, but the ignorance that prevails in Canada on the subject is proof of how little thought has been given to the subject. Whilst a British duty on grain, from which

Colonial was free, would bring Canada the full amount of such duty, a British duty on wool, from which Colonial was free, would bring Australia nothing—not one brass farthing. This is one illustration of what widely varying results the system of penalties and preferences would bring about.

It will be seen that Mr. Hatheway asks favours *particularly* for Canada and Australasia. There is much in this one word. Perhaps it was inadvertently used, but it indicates everything. It shows from what the demand proceeds, and in what direction it points. The demand is based on the self-interest that animates all restrictions, and it points to disunion, not to union.

The Protectionist Association of Victoria gives its blessing to the Penalty and Preference system. In July of this year it passed a resolution ending as follows :—

Every tariff alteration made for this purpose must be based on the principle that our Commonwealth *protective duties continue* to cover the difference between the labour cost of production in Australia and that in other parts of the Empire, so that the fiscal *preference given shall be by additional duties* upon imports from foreign countries, and by discrimination in the free list or in merely revenue producing items.

The following month, at a Conference of Australian Chambers of Manufactures, held in Melbourne, the following resolution was passed :—

This Conference of delegates of the chambers of manufactures of Australia earnestly recommends the several chambers to support the policy of trade preference within the British dominions, *with full preservation of the industries of the Commonwealth*, to the end of strengthening and developing production, manufacture, traffic, and commerce within the Empire.

On August 27th, Sir William Lyne, a member of the Barton Government, addressing an inter-state Protectionist meeting, at Melbourne, said :—

Preferential trade *did not mean that we were going to lower our duties* : it meant that, if we were going to trade outside, we should trade to a larger extent with the Mother Country.

The following telegram appeared on the records of the Australian Federation Convention of 1891 :—

Victorian manufacturers recommend Free Trade throughout Australasia, also *Free Trade with Great Britain for all goods not produced or made in Australasia* except alcoholic liquors.

They all play the same tune, they have played it all the time, and it is no use expecting them to play any other. If a man, by personal interest or political belief, be a restrictionist, he *must* follow and support that policy. Enough protection to beat English manufacturers and something higher still against other manufacturers, and then they can afford to feel as happy as, no doubt, that gentleman did who once sold “a gross of green spectacles” to an unsophisticated youth,

CHAPTER XVIII.

CANADA—HER TARIFF PREFERENCE.

IN 1897 Canada decided to allow British goods—with certain exceptions—to be admitted on payment of $87\frac{1}{2}$ per cent. of the ordinary duties ; in 1898 this was made 75 per cent., and in 1900 the amount to be paid was further reduced to $66\frac{2}{3}$ per cent. This means that the importer in Canada has only to pay £66 13s. 4d. on goods from Great Britain, which, if imported from a foreign country, would cause him to have to pay £100. Taking the Canadian, 1902, returns, it is found that the duty paid on the import of British goods averaged nearly 19 per cent., so that ordinary rates would average a shade over 28. The difference between these two percentages is about 9. The question to consider is how far has this preference of 9 per cent. tended to increase British trade in the past, and how far it is likely to do so in the future. A study of the subject shows that the results so far have not been great. The import returns for the years since the system was inaugurated show increases in *all* directions, but no specially marked increase in the direction intended. It is found that though the imports of British goods have increased, the imports of American goods have increased still more. The returns for the years (ending June 30) 1897 and 1902 are as follows :—

IMPORTS ENTERED FOR CONSUMPTION.

			Total from all countries.		From United States.		From Great Britain.
1902	..	..	\$203,000,000	..	\$121,000,000	..	\$49,000,000
1897	..	..	111,000,000	..	62,000,000	..	29,000,000
Increase	..	..	\$92,000,000	..	59,000,000	..	20,000,000
„	per cent.		83	..	93	..	69

It will be seen that the increase in the imports from the States is much greater both actually and relatively than the increase in the imports from Great Britain. The explanation lies in the simple fact that Nature has given the United States easy access to Canada. It may be accepted as certain that the 9 per cent. preference on British goods is counted for all it is worth by the Canadian trader, but if by paying that extra duty on goods from the States the trader can save 10 to 15 per cent. in transit charges, the order goes to the States. Canadian development is necessarily Westward. The further West the easier for the United States, the more difficult for Great Britain. Notice the movement, even in two years, in the nine different provinces, the four more

or less on the Atlantic and open to British shipping, and the five all further West, either adjoining the States or on the Pacific.

CANADIAN IMPORTS FOR CONSUMPTION.—DIVIDED ACCORDING TO PROVINCES.

Provinces.	1900.	1902.	Increase.
Quebec	\$72,313,856	\$73,634,001	\$1,320,145
Nova Scotia	10,369,943	12,480,164	2,110,221
New Brunswick	6,580,895	7,245,827	664,932
Prince Edward Island	506,374	643,714	142,340
	<hr/>	<hr/>	<hr/>
	88,771,068	94,008,706	4,237,638
	<hr/>	<hr/>	<hr/>
Ontario	70,221,464	85,235,418	15,013,944
Manitoba	6,669,144	8,703,488	2,034,344
British Columbia	10,332,819	10,275,548	56,271
North-West Territories	1,108,281	2,500,260	1,391,979
Yukon District	2,671,540	2,068,175	603,365
	<hr/>	<hr/>	<hr/>
	91,003,248	108,782,889	17,779,641

These figures accord with the well-known fact that it is westward where Canadian expansion is making itself felt; on the Atlantic side an increase equal to about four per cent., on the Pacific side a small falling off, between the two an increase of nearly 20 per cent. The facilities for communication between the States and Canada are very great. The 1902 returns show that there arrived from the States at Canadian ports on the rivers and lakes 23,585 vessels, with a total tonnage of 7,595,741 tons, "exclusive of ferriage," says the return. The vessels were mainly steam: about one-half Canadian and one-half American. Some idea may be formed of the extraordinary facilities existing for transit when it is pointed out that shipping arrived from the States at no less than 73 different ports in the one province of Ontario; to very few of these can British shipping approach, since it has not yet been discovered how to *ascend* the falls of Niagara. It seems that merchandise to the extent of 22 millions of dollars were imported into Canada from Great Britain and other countries through the United States, and 48 millions similarly exported.

It can readily be imagined that in the now rapidly expanding provinces of Ontario and Manitoba the ability to secure supplies of merchandise within two or three days from the great cities of the American West, against the very quickest two or three weeks or a month from British markets tends to assist the States. "Time is money" in many ways; it is often wise to pay more for goods that are close at hand and which can be bought in the exact quantities required, be more easily tested, and, if need be, can be personally examined, than to run the risks that attach to importing, and have to purchase the larger quantities which it is usual to ship. Nature intended the countries north and south of the great lakes to trade together. There are many articles in which it would take 100 per cent. preference to beat Nature.

There is no doubt at all that nearly the whole of the one-third allowed off imports of British goods is simply so much reduction of Canadian taxation. The Canadian Treasury does not receive it, and the Canadian taxpayer does not pay it. This is in striking contrast to what would happen if Great Britain established a preference for Canadian grain; by the amount of the preference the price obtained by the Canadian farmer would be so much increased. The best that is offered by the Canadian preference is a greater opportunity for the British manufacturer to sell goods at his usual price. This advantage, it is quite clear is, in the majority of cases, less valuable than the natural advantage possessed by the American. It is quite possible, however, in some industry, special to a limited number of firms in Great Britain, that by agreement amongst themselves they may arrange to add that one-third to their own prices at times, if not always, and thus secure so much more profit.

If a list were prepared of those industries for which Great Britain is specially famed, the list would represent also those industries which are specially penalised by the Canadian tariff. There is no getting away from this fact. Textiles and machinery are Britain's specialities, and the Canadian duties on these are 35 per cent. It is true the preference reduces this to 23, but the freight and other charges probably range from 5 to 15 per cent.; taking an average of only 7, it brings the duty—the preferential duty—up to 30 per cent. protection for the Canadian manufacturer.

It is worth while referring to a few of the Canadian imports. Carriages and vehicles of all kinds, total \$1,430,364, less than 1 per cent., or \$12,711, were entered under the preferential tariff. Furniture, total \$489,306; under preferential tariff, \$14,246. Agricultural implements, total over \$3,000,000; under the preferential tariff, less than \$20,000. These items indicate that when the goods are bulky the manufacturing must be done close at hand.

Oil, raw and boiled, total imports, \$407,101; under preferential tariff, \$377,614. Opium, \$249,888 and \$239,534 respectively. Tapioca, \$67,083 and \$58,046. These indicate articles in which the trade is practically all done under the preferential tariff. The consumers are supplied at lower prices, and lower prices increase consumption; beyond this it cannot well be said British trade is helped.

Of coal, anthracite is duty free. 1,652,341 tons imported—all from the United States; bituminous is subject to a duty of 53 cents a ton. 3,009,135 tons from the States paid this duty, and 37,827 from Great Britain paid two-thirds the rate.

The *Canadian Memorandum*, respecting the preferential tariff, laid before the Colonial Conference, shows that between 1893 and 1897 there had been a marked decrease in the imports from Great Britain, and that between the latter year and 1901 there had been a marked increase. As the year 1897 saw the preferential system inaugurated the increase is confidently attributed to that. It may at once be said that the *Canadian Memorandum* entirely fails to recognise what was the controlling influence of Canadian commerce during the years in question. Here it is:

EXPORTS, IN MILLIONS OF DOLLARS.

1893	1894	1895	1896	1897	1898	1899	1900	1901
119	118	114	121	138	164	159	192	196

This is the secret, and it is one of the most magnificent exhibitions of successful self-help to be found in commercial history. The "nineties" early developed financial trouble, which culminated in a grave crisis in 1893, the consequences of which continued to influence adversely British business with the Colonies for several years. By 1897, however, the expansion of Canadian imports became notable, and grew more marked year by year. Canada became prosperous again, and able to purchase more largely, as her increasing imports showed. Her purchases from France, Germany, Spain, Italy, Holland, Belgium, Switzerland, all doubled; it was not, therefore, so surprising that her purchases from the Motherland should increase by two-thirds as to be unexplainable except by reference to this tariff preference. That this cause did have some influence may be admitted, but no one will venture to assert that had this preference been granted in 1893 it would have prevented the whole or even much of the decrease that took place.

There is one thing to be remembered, especially in Canada: it is that the great quantities of Canadian produce which the United Kingdom is taking provides the money to pay for the commodities which she is purchasing from many countries in excess of what she sells to them. In 1902 Canada bought from foreign countries to the extent of 77 million dollars in excess of her sales to them, whilst the British Empire, mainly the United Kingdom, bought to the extent of 75 million dollars from Canada in excess of sales to her. These transactions do not end here: British purchases from Canada made possible the Canadian purchases from foreign countries, and foreign countries having thus increased their sales became in turn bigger buyers than otherwise they would have been from Great Britain and from one another. British purchases from Canada help British exports in a way Canadian preference never can.

CHAPTER XIX.

PREFERENTIAL POSSIBILITIES IN AUSTRALIA AND NEW ZEALAND.

WHAT would tariff preference in the Commonwealth of Australia and in the Colony of New Zealand be likely to do for British trade? In one respect the position in these two parts of the Empire is much more favourable than in Canada; both are surrounded by water, which separates them from all other countries and all other parts of the world. Great Britain, Germany, the United States are all far away; the difference in the distance from any one of these countries and any of the other three, counts for little or nothing. It would appear, then, that any preference granted to Great Britain would do effective work; though, indeed, already Great Britain has the lion's share.

There is, however, another aspect of the subject which cannot be overlooked, because it represents a controlling influence, this is the financial aspect. Australia and New Zealand have no revenue to play with, and Australia most certainly will not have for some years to come. The revenue collected in Canada from Customs and Excise duties is about ten millions sterling, including the several millions of increase during the last few years; revenue in Australia and New Zealand on the Canadian basis according to population would be about eight millions or eight and a half millions, but the actual Customs and Excise collections reach between eleven and twelve millions. Take the reverse: if the Canadian customs and Excise realised relatively the same as the Australian and New Zealand, then, instead of paying ten, Canada would pay fourteen millions.

If the revenue from intoxicants and narcotics be omitted from the figures, the difference would be lessened materially, but it would still remain true that the revenues collected from ordinary merchandise is greater in Australia and New Zealand than in Canada, and that every penny of the revenue is wanted. Every student of finance knows that after a certain level of taxation has been reached it becomes increasingly difficult to add to the burden, an increase which under that level was readily sanctioned and easily borne would, above that level, be seriously contested and borne with difficulty.

Australia and New Zealand absolutely cannot make reductions in their tariffs to favour British goods, while maintaining their restrictive policy. The Canadian returns of 1902 showed that, even with the greater volume of trade now being carried on, only 23 per cent. of Canadian imports were from the United Kingdom and 25 per cent. from the whole Empire; whilst in 1901 in Australasia no less than

64 per cent. of the total imports were from the United Kingdom and 72 per cent. from the whole Empire. Whilst the British imports into Canada were 11 millions sterling, they were 36 millions into Australasia. To give a reduction on present duties in favour of British goods would evidently mean a good deal of money, even if the preference were much smaller than one-third. The only possible way would be to raise the duties so much that when the allowance was taken off the net figures payable on British goods would be the same as those now payable by all goods. Clearly this would not be a promising start. The area of operation is, of course, an important factor. What have other people the audacity to sell, and the Colonists the weakness to buy?

IMPORTS IN 1901.

	From British Empire.		From other countries.		Total.
	Million £.		Million £.		Million £.
Australia	28·2	..	12·4	..	40·6
New Zealand ..	7·8	..	2·0	..	9·8
	<hr/>		<hr/>		<hr/>
Total	36·0	..	14·4	..	50·4

The problem is how to transfer the 14·4 millions. Considering how largely other countries buy goods from Australia and New Zealand which Great Britain cannot buy, the problem looks rather dirty, but the Juggernaut policy knows no scruples. Although Nature has most generously endowed the British Empire, some things have been specially reserved for other parts of the world, and it becomes clear that part of this trade cannot be transferred, for instance that in tobacco and cigars. Then the local Juggernaut has to be remembered; he is quite a hot Free Trader when he wants to buy anything, he insists on having his raw materials, his special machinery and special tools free of duty; and certain things that he does not know how to produce or make he also likes to have on the free list, just a bit of jam to cover the pill. Then, it is not considered constitutional to tax any merchandise imported by a Government, and as the Australian railways belong to the state governments all railway material, wherever from, escapes payment of duties. It is evident the area to work on is becoming smaller:—

		Mill. £.
Imports as shown .. ..	..	14·4
Less:—* Free list. Raw materials, etc.	3·4	
„ „ Government Imports	1·0	
„ Dutiable. Tobacco, wine, etc. ..	3·0	7·4
	<hr/>	<hr/>
Balance .. ..	..	7·0

* These deductions are approximate only, complete official returns not being available. Owing to the English workshops being full of orders, large supplies of railway plant were imported from the United States and elsewhere in 1901. Free list includes kerosene oil, many raw materials, special machinery, all tools, explosives, etc.

It may be accepted as certain that at present the maximum of trade that could possibly be influenced does not at the very utmost exceed seven millions, and in this are included many specialties of manufacture which Great Britain cannot supply to advantage.

But assuming that Australia and New Zealand are importing seven million pounds' worth of commodities from outside countries, which are commodities Great Britain is producing, how can the trade be transferred?

Any steps in this direction must, of course, be taken by Australia and New Zealand. At the Conference Mr. Seddon spoke of a preferential allowance of one-tenth being made by New Zealand. The Premier of Australia has said no concession could be made on existing duties, but has spoken of the rates being raised against outside countries. Suppose, then, such duties were raised so that the British would have a one-tenth advantage, does anyone think for a moment that an advantage of one-tenth, averaging 2 per cent., would influence shipments to any appreciable extent? As well try to fight a modern battleship with a popgun, as to capture this trade with 2 per cent. preference. A little re-arrangement of freight; some export concessions by European railways; a little cutting of profits and the 2 per cent. could be much more than made good.

Then it may be said, "raise the duties against outside countries, so that a one-third preference, like the Canadian, may be given." Evidently, however, a third of a big duty is more than a third of a small duty. Here is a comparison of some of the duties.

COMPARISON OF AD VALOREM DUTIES.

	Canada.		Australia.		New Zealand.
	Per cent.		Per cent.		Per cent.
Apparel	35	..	25	..	25
Cottons (printed)	35	..	5	..	10
Woollens	35	..	15	..	20
Machinery ..	25	..	12½	..	20
Iron (structural)	35	..	12½	..	20
Boots and shoes ..	25	..	30	..	22½

It will be observed that in apparel and in woollen cloth the Canadian one-third is 11⅔ per cent., whilst one-third in Australia would be only 5 and in New Zealand 6⅔ per cent. As already shown, taking everything together the Canadian preference averages 9 per cent., because the duties average nearly 28, and it may be taken as certain that a preference of one-third in Australia and New Zealand would not average more than between 5 and 6 per cent. Would 6 per cent. turn the current of the trade? No, it certainly would not. By economies, by combinations, etc., in the majority of cases the difference could be met.

To make a preference of one-third equal in value to the Canadian, it would, of course, be needful to raise the average of the Australian and New Zealand duties to the same level as the Canadian, which would be an advance of about half: a duty now 20 per cent. would

become 30, and the one-third off to British goods would leave 20 payable as now. That, however, would be equal to a preference of one-half, or 50 per cent. of the amount of the duties now existing, so that it will be seen a change of a most radical kind would be needed to secure a preference equal in amount to the one given by Canada, which, it has to be remembered, is by no means a success. But supposing such a radical change made, there is no doubt it would influence a considerable part of this trade of 7 millions, though certainly far from the whole, for where the duties are much below the average at present, as for instance machinery $12\frac{1}{2}$ per cent., an increase to $18\frac{3}{4}$ per cent. would only penalise the outsider by 6 per cent., which in many cases could easily be met—especially if, as is quite possible, the countries affected agreed to give a bounty to countervail the rebate to British competitors. A man can grasp a bar of iron or a piece of wood, but not a handful of quick-silver; commerce is like the quicksilver.

But supposing the deed done, the victory won, what then? Australasia would still want to sell to the other countries the many million pounds' worth of wool and other pastoral products, which she produces in excess of what Great Britain can buy. She would wish to be paid, and might rest content if Great Britain paid her. But Great Britain would not want to give Australasia ten million pounds' worth of manufactured goods for nothing, and, then, it would happen that Great Britain herself, instead of Australasia, would have to accept the goods which these other countries would give in payment!

CHAPTER XX.

THE SOUTH AFRICAN PREFERENTIAL TARIFF.

SOUTH AFRICA is to be warmly congratulated on the establishment of its Customs Union, not only because of the immediate advantage but also because of the removal of prospective grounds of dispute in the future. It is to be sincerely hoped that this Customs Union is but the forerunner of a lasting South African federation ; a heavy responsibility will rest on any section of South Africa which, after the close of the two years or at any later period, uses the power that is given to break away. If the Customs Union were ever destroyed it might be many a long year before it could be replaced, or a real federation brought within the reasonable distance it now seems to occupy.

It is to be regretted, however, that the Union is marred by the adoption of the Penalty and Preference system ; but so utterly ashamed do the supporters of this system appear to be that they have not dared to adopt it except in the most meagre degree. Perhaps they thought that if the shadow of the system were once thrown over South Africa, that the substance of it, the real thing itself, might gradually be introduced.

In the first place, the list of duties removed from the operation of the preference is very much larger than the Canadian, and, in fact, includes every specific duty. There are a few *ad valorem* duties of 25 per cent., but they are unimportant. The main classes are duties of 10 and $2\frac{1}{2}$ per cent. Of the former, British goods have preference to the extent of one-fourth, and of the latter, to the extent of the whole. That is, the South African preference on British goods—the penalty on other goods—is $2\frac{1}{2}$ per cent. Everyone must know that this allowance will not affect the volume of trade from other countries in any appreciable degree. To accept a principle in name and then deny it in practice is, indeed, to “damn it with faint praise.”

To secure this contemptible result it was not worth while subjecting South Africa to the adverse comments of Europe. If anyone needed convincing of the un wisdom of what has been done they can want nothing more than the fact that when the question of adopting the Customs Convention was before the Legislative Council of Cape Colony, an amendment rejecting the principle of preference to British goods, and making changes in a protective direction, was only defeated by the casting vote of the President. Considering the disturbed state of South Africa, racial difficulties, and other matters, surely nothing should have been introduced likely to cause heart-burning, and prepare the way for future strife.

CHAPTER XXI.

THE BLACK FLAG OF PROHIBITION.

THE object sought by the securing of a preference for British goods in the Colonies is stated to be the transference to Great Britain of business now done by other countries. If it is right to attain this object, then the means have to be made effective. It must be evident to every thinking man that—in Canada, at any rate—with regard to quite a number of commodities, success cannot be attained until the black flag of absolute prohibition has been hoisted. In the Colonies generally the duties would have to be raised to such a height that it would no longer be possible for Germany, France, and other countries to send their steamers as they now do. Then—well, let anyone think out for himself the possibilities. Not one of the Colonies, however, is prepared to go to the extremes needed to destroy the trade of other countries. If this is so—and it is—why not at once confess that the whole thing is a blunder?

CHAPTER XXII.

BRITISH OPEN PORTS AND FOREIGN COUNTRIES.

THE beneficent part which the British system of free commerce has played in the development of the world at large during the past half century must not be forgotten. The historian who gives the world a faithful history of the nineteenth century will have to record how great a part has been played by the nation which had the sense to see that commerce was a thing to be welcomed, not to be driven away. The power of a great open market has brought industry, and the prosperity that follows in the wake of industry, to many parts of the world, and there is not a nation, big or little, that during the past fifty years has not increased in wealth because of the open ports of the United Kingdom. The world's great customer has been, and is, the United Kingdom.

Strange to say there are people who apply the statistical measuring stick to the figures of population, wealth, etc., and comparing the results in various countries, are quite ready to declare that countries grow in prosperity under a restrictive system quite as fast, or faster, than countries under a free system, and that, therefore, the free system has nothing to recommend it. In truth, this comparison of the statistics of free trade and restrictionist countries, which is so frequently being made, has in it an element of absurdity. Take the United States and the United Kingdom. There is, probably, not one American living under the Stars and Stripes who would not readily admit that his country had reaped very great benefits from the free admission into British ports which it has possessed for its surplus produce; and, on the other hand, it is impossible to conceive of any American arguing that the United Kingdom was helped in any way towards prosperity by the action of the United States' tariff. There can be no disputing the truth of these propositions. What then follows? It is as clear as any deduction in logic can be (1) that the United States owes part of its great prosperity to British policy, and (2) that the United Kingdom would have been more prosperous had American policy not checked its commerce. Consequently it must, of necessity, be admitted that the fiscal policies of the two countries cannot be judged by their respective statistics. The United Kingdom has been assisting to build up American industry, and hence, even in American statistics, there is testimony to the stimulating power of British Free Trade policy. So far as British policy has benefited the world at large, the benefits of that policy are to be reckoned *plus* the benefits outside Great Britain.

The investment of British capital in new lands has been the means

of building up new communities whose wants mean additional commerce to the world at large, and the shipping of other countries to-day finds a scope for employment which could not have been found but for British enterprise, capital, and policy. There is no doubt of the important part which has been played by the United Kingdom in the world's general development during the past fifty years, it is a part of which the whole Empire may well be proud. Is the Empire now, in the twentieth century, to play a less noble part? Is she to cast aside the great policy which has done so much to promote the welfare of the world; so much to increase the happiness of millions? It is reasonable for Britons all the world over to ask themselves whether in being "mistress of the seas" there is not involved some moral obligation to sustain the principle of freedom of commerce.

It would be a mean sort of thing for this Empire of ours, embracing, as it does, so much of the world's best and most productive lands, to enter upon a purely selfish dog-in-the-manger policy. After making the Empire so valuable to the rest of the world, to seriously alter British commercial policy would cause world-wide trouble. There seems something of the ludicrous in the idea of tampering with the policy of the "open door" at home and fighting for it abroad. The faith of the United Kingdom in freedom's cause is still a living force, and it will shine all the brighter for a little friction. When the saving grace of common sense has swept a few cobwebs away it will be clearer than ever that a prosperous outer world is a good thing for the Empire.

CHAPTER XXIII.

COMING DEVELOPMENTS AND CHANGES.

Two and two will always be four, and a great principle which has its foundations in the eternal laws of justice will stand for ever. The world's conditions, however, are changing constantly even from year to year, and nothing brings about such important changes as the growth of the population of a country. As a country grows, its position relatively to other countries changes, and the position of its internal industries, relatively to one another, also changes. But in all the change, in all the ebb and flow of human affairs, two and two still make four, and eternal principles abate not a jot of their strength and truth.

The world's greatest factor is population. When the nineteenth century dawned, 5,800 years had passed since the creation of the world. In the course of the 58 centuries the population of Europe grew to a total of 175 millions. Now notice what the growth has been in one single century :—

POPULATION OF EUROPE.

In the year	1800	..	..	175,000,000
"	"	1830	..	223,000,000
"	"	1860	..	291,000,000
"	"	1880	..	330,000,000
"	"	1890	..	350,000,000
"	"	1897	..	380,000,000
"	"	1903	..	(say) 400,000,000

During the same years well over thirty millions of people left Europe for other parts of the world, but only as interesting evidence of the actual increase is this fact mentioned. Europe to-day has 400 millions of people as compared with only 175 millions when the nineteenth century dawned; this is the great, the dominating factor of the life of Europe. It smashes into atoms all the foolish talk about countries being "self contained." The truth is that the individual interests of each one of the great family of nations were never so inter-laced with the interests of the others as they are to-day. Pray throw to the wind all ideas about being "self-contained," they are antagonistic to the great plans of Nature. 'Tis no good fighting Nature, she is just a little too strong for Man, even if he be honoured by having his name spelt with a capital.

Various nations in Europe are "self-contained" adherents, and yet all the big ones except Russia are dependent on the outside world for a portion of the grain they eat.

COUNTRIES ON THE CONTINENT OF EUROPE WITH CONSUMPTION IN EXCESS OF PRODUCTION.

			Wheat shortage. Mill. Bushels.		All grain shortage. Mill. Bushels.	
Germany	..	..	60	..	..	140
France	..	..	36	..	..	35
Italy	..	..	30	..	..	30
Spain	..	..	14	..	..	15
Portugal	..	..	5	..	..	5
Sweden and Norway	..	..	10	..	..	10
Denmark	..	..	5	..	..	15
Holland	..	..	22	..	..	30
Belgium	..	..	12	..	..	65
Switzerland	..	..	16	..	..	20
Greece	..	..	3	..	..	5

The whole of the figures respecting food which are quoted are taken from Mulhall, and refer to the position about seven years ago. That writer, referring to Germany, said: "the weight of grain produced is far short of the requirement of the Empire. The deficit of grain increases rapidly with the growth of population, the weight imported having more than doubled in ten years."

Belgium may be said to depend on imported grain for six months in the year, and on foreign meat and butter for two months.

Sweden had a large surplus down to 1882, exporting 300,000 tons, but at present she has a yearly deficit of 200,000 tons covered by importation.

Denmark down to 1884 used to export about 200,000 tons of grain, but so large is now the consumption in the fattening of cattle that there is a constant importation of grain, net imports showing an average exceeding 400,000 tons.

Switzerland.—The country hardly raises food for one-third of its population.

The annual weight of wheat carried from one country to another (average 1891-5) was 9½ million tons, to which adding maize, oats, etc., the total international grain trade will be found to exceed 12 million tons.

Coming down close to the present the following figures are taken from "Beerbohm's" returns:—

NET IMPORTS OF WHEAT AND FLOUR INTO EUROPE.

			1901. Qrs.	1902. Qrs.	
United Kingdom	..	..	23,143,000	..	24,930,000
Germany	..	..	9,480,000	..	8,935,000
Belgium	..	..	5,215,000	..	5,560,000
Holland	..	..	2,315,000	..	2,400,000
Italy	..	..	4,750,000	..	4,900,000
Spain	..	..	690,000	..	325,000
Sweden	..	..	835,000	..	875,000
France	..	..	725,000	..	1,000,000
Switzerland and Greece	..	..	2,725,000	..	2,750,000
Sundries	..	..	1,250,000	..	750,000
Total	..	..	51,153,000		52,425,000

Of these imports about one-fourth were from Russia and other countries in the far east of Europe, and about three-fourths were brought from outside Europe. Everyone knows that the United Kingdom is a very large importer of wheat, but few people are aware of the extent to which other European countries have also to import; have become less "self-contained." Taking the aggregate of the two years it will be found that the United Kingdom imported 48 million quarters, and the other importing countries of Europe together 55½ million quarters. It is not needful to go into details with regard to other food products, but speaking generally, Europe is drawing on the outside world for food more and more every year, and the one country on the Continent which is drawing on the outside world the most of all is the country whose increase of exports has been to all a noteworthy matter, and to some a cause for alarm. It is no mere coincidence; there is an intimate connection between these enlarged imports of food together with the enlarged imports of raw materials and the enlarged exports of manufactured and other goods which have attracted so much notice.

It is needful now to prepare for a further and a much greater development of commerce on the part of Europe. If in one century 175 became 400 million people, then it might be said in another century 400 will become 900 million. Any such assumption may be put aside at once; in no direction is prediction more often falsified than in that of population. It is, however, certain that the 400 million people are at present continuing to increase, and will continue for some time at any rate to increase with a rapidity varying in the different countries. What does this mean as regards food supply and general external commerce? An insight into the probable future will be best secured by looking backwards. During the past century the wants of the growing population were for a time supplied by increased internal production; but the limit of production—at least, of profitable production—seems to have been reached some few years ago, with the result that for every million increase in the population the percentage of imported food that was required grew greater and greater. If, then, the population of Europe increased at the rate of two millions a year for the next twenty years it might mean that by the end of that time Europe would be importing far more than one hundred million sterling of food products more than she is to-day. Of course, more raw materials also would be needed, and for all this extra food and raw materials payment would be made by enlarged exports. If, too, the well-being of the people of the continental countries of Europe approached nearer to the English level, that alone would mean a vast increase of the consumption of food products.

In this inevitable growth of the commerce of European countries there is nothing for the United Kingdom to regret or to fear, nor is there any cause for the United Kingdom to lessen its faith in the great principle of free commerce. The United Kingdom cannot feed itself, much less can it feed Europe; and it will not be so absurd as to grumble because Europe pays, as she must, for her imported food with exported merchandise. It is probable that the development of commerce that will take place during the twentieth century will surpass all present

expectations—that is always supposing Man will accept what Nature offers. By commerce, of course, is meant that portion of trade which crosses political boundaries, which passes from one country to another. In the “self-contained” days which are gone probably for ever, certainly for as long as civilisation endures, trade of this sort was little known, and to-day, though the vastness of commerce is talked about, it is seldom recognised what a small proportion of the world’s entire trade yet comes under that heading. In 1897 Mulhall put the world’s international grain trade at 12 million tons, and estimated this as about 5 per cent. of the grain crops of the world, adding that it thus became evident that 95 per cent. of the entire quantity is consumed in the country of production. A fact like this shows that, after all, commerce is probably but in its infancy. It will not require by any means an unusual increase of population, in the countries now importing, for this 5 per cent. of the world’s crops to grow to 20 per cent., and a four-fold increase in grain would probably mean a four-fold increase in all commerce. But what a development for the world this would be ! What “hostages to fortune” country after country would be giving, and what a good time the prophets of evil would have ; fancy their having four times as much commerce to groan at as they have to-day ! In this expansion of commerce, a development which the past half century, especially the past quarter century has brought more and more to the front, would become very marked, that is the increasing number of miles over which, on the average, merchandise is carried. Fifty years ago the United Kingdom obtained three-fourths of her imported grain from Europe, principally from the nearest countries. To-day she obtains only a small quantity from Europe, and that from the farthest off countries, and the great bulk of her imports—say 95 per cent.—from distant countries. This is one of the main causes of the growth of British shipping ; instead of bringing half to one million tons of grain from near countries, five million tons have to be brought from distant countries. This is the sort of development that has been, and is going on with ever accelerating speed. “Self-contained,” indeed, when, as never before, east and west, north and south, continent and continent, hemisphere and hemisphere, are working together and needing each one the other.

There are people who are ever ready to accept as permanent that which in fact may be only a temporary or passing condition. This frame of mind has been much in evidence recently. The United States and Germany have made great strides of late in all the important elements of national life. The result has been that the statistical measuring stick has been greatly used of recent years. It is said : “there has been this growth in twenty-five years, and consequently, in another twenty-five years the position will be so-and-so.” It would be wiser if, before these predictions were made public, they were tested by the experience of other countries that had passed through similar times. A movement may be a “spurt” or a “boom,” but neither a “spurt” nor a “boom” ought to be accepted as a permanent condition, or as a measure of future progress. Yet this is what is done only too often. Some people, too, anticipate that one country will monopolise the commerce of the world, though in the very nature of things such an event cannot possibly

occur. Home trade is always the first consideration; foreign trade—commerce—is secondary. A country does not export what it can consume, it exports the surplus—if any—after the home consumption has been provided for. Some of the best years the United Kingdom ever had were years when her exports were smaller than usual because of a home trade greater than usual. It is when home trade is slack that efforts are made to give increased activity to foreign trade, or in the matter of crops when harvests have been unusually bountiful. These, of course, are fluctuating conditions, and the work of commerce is to meet and adjust these fluctuations. Commerce is Nature's "clearing house."

The coming years will undoubtedly be marked not only by great development, but great changes. In the United States much depends on the growth of the population. If it be large, even moderately large, much of the food products now exported may be consumed at home, compelling Europe, including the United Kingdom, to go further afield for supplies. The possible food production in the United States is, of course, far beyond anything yet reached; it is a matter of relative cost. That the United States will, on the other hand, sell abroad larger quantities of manufactured goods seems to be one of the probabilities, if not certainties, of the future. The entry of Japan into the commerce of the world may be but the beginning of big things in the "Far East." The emigration movement of this century will probably be very extensive and have important results, though it may be expected that before long there will be a gradual lessening of the emigration stream towards the United States. The tendency to the building up of cities may be expected to continue; in about half a century the cities of over 50,000 people in Europe and the United States doubled in number, rising to between three and four hundred, and representing a widespread and very important expansion of manufacturing. Big and weighty problems lie ahead; the veil of the future hides portentous changes. The following among other factors will influence the progress of every country:—

Taxation.—The percentage of taxation to earnings is of far more importance than generally imagined. Taxation is a great enemy of accumulation. Five per cent. in one country against 10 to 15 in another will, in a few years, have a very visible result. The public expenditure of to-day is to be regarded with horror.

Capital.—The export of capital on loan has been a new and important feature specially, and almost wholly, of British commerce. It has introduced new, novel, and rather uncertain conditions into commerce generally. The international movements of capital seem certain to be larger than ever, and point to increased disturbance of the ordinary relation between exports and imports. The United States are likely to invest a good deal of money in new countries before long.

Science.—The triumphs of science in promoting cheap production and cheap transit are certainly not yet ended.

Food Consumption.—During the last thirty years the "per head" consumption by the people of the United Kingdom of some leading food products has increased greatly: meat, 20 per cent.; butter, 60 per cent.;

cheese, 20 per cent., and so on. As the well-being of the people of Europe is gradually rising, a gradually enlarging importation of food products seems to be assured apart from the demands of a larger population.

Education.—The people who are the best educated will have great advantages. A well-trained people is essential to keep a country abreast of the times.

Sobriety.—It is to be feared that there are several countries whose people could “give points” to those of the United Kingdom in this matter.

The Birth-rate.—It is impossible to over-estimate the serious importance of this factor, especially taken in combination with the due observation of sanitary laws for the preservation of life. In France the birth-rate just balances the death-rate, and France, well-to-do as she is, remains stationary. Germany, with a birth-rate much higher than the death-rate, increases fast. Naturally, therefore, French commerce does not grow, German does.

That last sentence needs qualifying. The same cause that indicates and compels a growing commerce in Germany, indicates and compels a lessening commerce in the United States. Germany has gone ahead of her food supplies, and must obtain more and more from abroad as her population grows. The United States is producing food in excess of her consuming power, and consequently exports food ; but just as consumption approaches production, so must exportation lessen. Both countries would be going ahead all the time, though in one commerce would be increasing, and in the other decreasing. A country must be judged by the aggregate of its home and foreign trade—its general well-being—and not by its mere home trade alone or its foreign trade alone.

After having gone through the most wonderful half-century the world ever knew, after developments have taken place that could not have been foreseen, it is wise to “go slow” in predictions about the future. Mighty forces are at work ; others are slowly forming, and in many directions it will be “the unexpected” that will happen. But in and through all changes Nature will always be wiser than Man, and Man will be wise just in proportion as he obeys the laws of Nature, and in that obedience freedom of commerce is involved and secured.

CHAPTER XXIV.

THE UNITED STATES.

THE political results of a system of penalties and preferences on British relations with the United States is a matter for thought. Great Britain and the United States have come closer together during recent years, but as far as seven years ago, in 1896, in discussing the subject of commercial relations, the author of this work penned the following: "Let us consider what is proposed so far as it would affect British relations and British business with the United States. Everyone who knows Australia will bear witness to the existence of the most kindly feelings towards the States, and the desire that the relations now existing should become more, and not less friendly. This kindly feeling which exists in Australia undoubtedly exists throughout the Empire. Can we promote that friendship and goodwill by subjecting American goods to a penalty throughout every section of the Empire? Are we to look upon the commodities which America can supply as things to be rejected?"

"To-day there exists a determination throughout the British Empire to take no step calculated to wound the United States—a desire to look forward to the time when the Anglo-Saxon race shall be as one people, whatever their political divisions may be. That the scheme now put forward would compel us to treat the United States and their more than sixty million people as commercial enemies is alone sufficient to condemn the scheme in the eyes of every generous member of a British community."

That was in 1896. Everything that has occurred since has tended to strengthen the sentiments then expressed. The Americans readily admit the right of the British to alter their trade policy, they could not well do otherwise; but looking at the gigantic purchases which are now made by Britain year by year from the United States, it is clear enough that no change that affected, for the worse, business in which tens of thousands of American producers were concerned could be made without annoyance and irritation to those producers; that annoyance and irritation would mean, necessarily, a weakening of the kindly feelings now existing. The union of the Anglo-Saxon race means too much for the race itself, too much for humanity at large, for it to be lightly endangered.

The United States constitute a very useful "bogey." It is so easy to say, "See what has been done in the past, and think what is likely to be done in the future." One writer has suggested that the great feature of the coming years would be a struggle for supremacy between Great

Britain and Germany, which might end by the United States swallowing both of them. All this excited talk about commercial "supremacy" among nations is as idle and contemptible as the foolish hankering after social supremacy among a set of fashionable women. It is equally as stupid for a country to lose its head as for a woman to lose hers in pursuit of what is meant by "supremacy." All the world, the British portion specially, can afford to watch with satisfaction the growth of the United States; be thankful that so great a liberty-loving power has arisen, and hopeful that nothing will occur to prevent or mar the splendid future that is promised by the development of the present. Each country should strive to develop to its utmost and to its best, and expect every other country to do the same.

Probably the import and export returns of the United States have led to nearly as many mistakes as have the British. In the former country exports have grown rapidly and shown a great excess; in the latter the movement is in the reverse direction. The United States movement is irregular; the British movement is regular. Compare the returns for the past twelve years:—

EXCESS OF IMPORTS IN GREAT BRITAIN AND EXCESS OF EXPORTS IN THE UNITED STATES.

Great Britain.				United States.			
Excess of Imports.				Excess of Imports.		Excess of Exports.	
Million £.				Million £.		Million £.	
1891	..	126·3	..	1891-1892	.. —	..	42·2
1892	..	132·2	..	1892-1893	..	3·9	.. —
1893	..	127·5	..	1893-1894	..	—	49·4
1894	..	134·6	..	1894-1895	..	—	15·7
1895	..	130·9	..	1895-1896	..	—	21·4
1896	..	145·4	..	1896-1897	..	—	59·6
1897	..	156·8	..	1897-1898	..	—	128·2
1898	..	176·5	..	1898-1899	..	—	110·2
1899	..	155·5	..	1899-1900	..	—	113·2
1900	..	168·7	..	1900-1901	..	—	137·2
1901	..	174·1	..	1901-1902	..	—	99·4
1902	..	179·0	..	1902-1903	..	—	82·0

Great Britain is a creditor nation, and also a ship-owning nation; she might almost be spoken of as specially *the* creditor and *the* shipowning nation, hence there is a fairly constant increase in the excess of imports, as the factors named work out their natural results. The excess of exports in the United States is irregular; the position is a changing one: the United States are emerging from the position of a debtor nation, probably they will gradually become a creditor nation. They are already so wealthy that this position would come about rapidly were it not for the almost limitless opportunities for internal development and investment. If the enormous excess of the exports of the last ten years represented debt cancellation pure and simple there would probably be no debt left. But in real truth a very large sum yearly is paid by the United States to discharge liabilities which ought to be considered but seldom are, so that the *net* excess that can be applied to

the payment of debt is smaller than it appears to be. These payments may be divided into three divisions. First, freight on goods imported by sea, so far as the shipping belongs to other countries ; second, passenger fares across the Atlantic and elsewhere ; and third, expenditure of Americans abroad. The probability is that the aggregate under these three heads comes to a much larger sum than has ever yet been anticipated. It was recently stated that American visitors spend nearly £6,000,000 a year in Paris. If this is correct, the expenditure in London, in Great Britain generally, and in those other countries which the possession of wealth enables Americans to visit, will reach a big sum. In the absence of data for forming a close estimate the writer suggests that the aggregate, under the three divisions named, cannot be less than thirty millions sterling, and is probably a great deal more. But, whatever the exact sum, it is large enough to alter very materially the bald figures now available to the public. It is the *net* not the *gross* excess of export that is important.

The United States cannot become a creditor nation without in the first instance making loans or purchasing stock in other markets. Such operations would require an excess of exports, therefore it is fairly certain that for some years to come the balance between the United States imports and exports will be on the same side as at present. The tendency, however, will be towards the change indicated. The one thing to be specially borne in mind is that the increasing wealth of the United States indicates the certainty of a radical change in American commerce. The States cannot continue to export to the extent they have been doing without becoming much larger importers. Some people see in the United States a huge trading concern that can sell without buying, and have quite frightened themselves on the subject. The truth is that, perhaps more than any other nation, the United States is "self-contained," they are not driven by necessity to import either food or manufactures, except so far as specialities are concerned. The necessity of *exchange* is the first condition of extensive commerce. Those, therefore, who look on the States as the world's octopus are making a mistake. The aim of commerce is to provide that which is in short supply. Europe has a short supply of food : commerce provides the deficiency, and disposes of the goods given in exchange. Hence Europe has a great, and will have a greater, commerce. After all, commerce is but the complement of the home trade : what the home trade supplies commerce is not called on to provide. Full home supplies are not favourable to that branch of enterprise specially called commerce, or external trade.

The contraction of the excess of exports that has marked the past three years bears out the contentions here advanced. It will be interesting to note the developments that will take place when the internal trade of the States becomes less active. The States have not yet settled down to final conditions. When the full volume of immigration is reduced to a little trickling stream, and the growth of population is limited to the natural increase, which has long shown a diminishing ratio, then, what may be called final conditions will begin to develop. The United States are a great nation, and will be a greater, but it is

foolish to imagine that American greatness implies European or British smallness.

The United States are the largest exporters, that is the largest *net* exporters. European exports, perhaps British especially, consist largely of imported raw material. A million pounds' worth of imported wool may be exported as three million pounds' worth of woollens. The value produced or added in the country is alone what the country gains—its *net* export. The commodities exported by the States contain a very fractional amount of imports—so that American *net* exports are far ahead of the *net* exports of even Great Britain.

CHAPTER XXV.

“QUIET FACTS.”

A WRITER in the *National Review* * mentions two sets of figures which he says are “really vital.” The first set deals with the slow growth of British exports, a subject elsewhere exhaustively considered by the present writer. The second set deals with what is styled “the encroachments of foreign nations in those Colonial markets which exist owing to British energy and heroism.” After figures are quoted for 1884, 1889, and 1894, it is said that for later years the returns for New South Wales may be taken as typical specimens. The following table is then given :—

VALUE OF IMPORTS INTO NEW SOUTH WALES IN MILLIONS OF £.

		1895	1896	1897	1898	1899	1900	1901
From British Empire	..	14·4	17·4	18·0	21·1	21·3	22·4	21·5
From foreign countries	..	1·6	3·2	3·7	3·4	4·3	5·1	5·4

On these figures the following comment is made :—

This table shows that the process of ousting Great Britain from her own markets, as recorded in the earlier table, is still going on merrily. Comparing 1895 with 1901 in this last table, we find that the ratio of foreign to Imperial trade has grown, roughly, from 11 to 25 per cent. in the short period of seven years. Now these are the sort of “quiet facts,” as Carlyle would say, to which our opponents must give their minds.

This is said with the air of one who has uttered the unanswerable last word. “Quiet facts” are appealed to. Very well. In 1891 the imports from foreign countries into New South Wales amounted to 2·9 millions and in 1892 to 2·1 millions. In 1892 the shadow of the coming great bank crisis was already upon the land, and the foreign imports decreased. The storm broke in 1893; it was, in one sense, anything but a “quiet fact,” and its influence was still strong in 1895, the first year given in the table. Whilst between 1895 and 1901 the foreign imports showed an increase of 3·8 millions, between 1891 and 1901 the increase was only 2·5 millions. Another “quiet fact” is that the federal tariff was introduced in October, 1901, and during the whole of 1900 and part of 1901 the expectation of extra duties led to increased imports. It is true that by the end of the “nineties” Australia was enjoying a recovery from the financial crisis and that much of the increased imports were due to this cause, but the expected

* Mr. J. Saxon Mills, July, 1903.

increasing tariff and duties had a great deal to do with it. The figures for 1895 were not only less than ordinary, but those for 1901 were inflated, and these are the years chosen on which to base an argument to stagger opponents.

It may be worth while pointing out that in 1902 Australia suffered from an appalling drought, and it was thought better to import two millions pounds' worth of wheat and flour from other countries rather than allow the people to die of hunger. But what a fine opening for some orator on a British platform, who, seeing only the figures, two millions sterling, and knowing nothing about the truth behind them, talks about "quiet facts" and "encroachments of foreign nations in those Colonial markets which exist owing to British energy and heroism."

But there is a serious, a very serious, aspect to be looked at in utterances such as that now quoted; that is the blow that is aimed at the independent powers of a self-governing community like Australia. Look at the words about foreigners "ousting Great Britain from her own markets," and again the reference to the markets "which exist owing to British energy and heroism." What does this sort of thing point to? It points to a desire for a revival of "the good old times" when British Colonies were ruled with an iron hand, and in the interests—or the supposed interests, rather—of the people of the British Isles. The position that exists to-day between, say, France and her Colonies is brought to mind by this suggestion of outside ownership of markets such as those of Australia. Many a time has the author of this book proudly boasted of the powers a free Motherland has given to her free children. Thus, in 1900, a reference to the Colonists of New Caledonia was concluded in these words:—

It is impossible for Australians not to sympathise with these French Colonists. France keeps an iron grip on her Colonies—allows them to buy from no one but herself, except under penalty. How different the action of Free Trade England, which allows her self-governing Colonies even to shut out English goods!

It will be well to let shackles alone, once let Great Britain apply shackles to one section of trade, the evil practice would soon be applied to others also. There is danger in the suggestions that are afloat—danger of affecting the fine spirit that now influences each section of the Empire towards all other sections.

CHAPTER XXVI

THE HOPES OF COBDEN *VERSUS* THE FEARS OF ADAM SMITH.

It is easy to sneer at the failure of the hopes of a warm-hearted enthusiast, and to forget that it is enthusiasm—born of insight into great truths and love of humanity—that leads the way in the movements towards a nobler public life. Cobden expressed the opinion that other countries would follow the United Kingdom in giving freedom to commerce. They did not; hence the cheap sneers bestowed on Cobden himself, and on his work and policy.

There stand on record, however, the views of Adam Smith, the great author of the “Wealth of Nations,” and the founder of the science of Political Economy. It is worth while comparing what he said as to the probability of true principles being adopted, with the oft-quoted utterance of Cobden.

The cool-headed Adam Smith said :—

To expect the freedom of trade would ever be entirely restored in Great Britain is as absurd as to expect that an Oceana or Utopia should ever be established in it.

The warm-hearted Cobden said :—

I believe that if you abolish the Corn Law honestly and accept Free Trade in its simplicity there will not be a tariff in Europe that will not be changed in less than five years after your example.

It will be seen that Adam Smith, knowing the power of selfishness, and how hard it is to shake off the grasp of monopoly, did not think Free Trade could ever be secured for Great Britain. Yet time proved that he was wrong. Adam Smith was wrong; Cobden was wrong. The one had not remembered the power of enthusiasm; the other had not remembered the power of self-interest. Most certainly, freedom having been secured, it should be jealously guarded, since if lost again the work of regaining it might prove too hard.

CHAPTER XXVII.

TARIFF JINGOISM.

To all those who pray for "peace in our time" and who associate with the name and fame of Great Britain a policy and a procedure that tend to promote international harmony, there is cause for irritation and shame in the public utterances and writings of many of the promoters of schemes for a customs union or the imposition of differential duties. There are men who never fail in courtesy and dignity in private life, who, in political life and especially in regard to other countries, lose all self-restraint, and forget alike courtesy and dignity. Why should this be? And why should a man be allowed to use language of an irritating and offensive nature to, or of any country, without being made to feel that he has done something unworthy of his own country, and harmful to his own position as a citizen? It must count as a strong argument against the schemes mentioned that their promoters so often adopt the style of the jingo. The aggressive, domineering man is not tolerated in society, where he can do only the minimum of harm; and he ought not to be tolerated in international politics where he can do the maximum of harm. He is a public danger.

As an example of the sort of thing to which exception is and should be taken, reference may be made to a paper entitled "The British Empire of To-day and To-morrow" by Sir Howard Vincent,* in which the author advises Great Britain to "be Mistress of the Land as well as now Mistress of the Sea."

A remark like this is, of course, offensive to other countries in proportion to the position held in public life by the man who utters it. But surely the humblest man in the ranks of public life must know that threats of putting other countries into a position of inferiority is not the way to win good-will. Courtesy costs but little; it is the oil of civilisation, the lubricant that makes the machinery of life work smoothly. The more massive the machinery that is being worked the greater the need for smooth working.

But courtesy, without genuine good-will at the back of it, is a poor thing. A shortage of good-will towards the people of other countries may naturally be expected from those whose mission in life, apparently, is to create the belief that the less the British people have to do with other people the better. Happily the majority of the British people are quite sure of the very reverse of this, and have nothing on their minds which makes it necessary for them to modify those feelings of

* British Empire Series, Vol. v., p. 148.

international good-will which seem so natural and proper. Probably there never was a time when it was more desirable than at present that all the world should know without doubt that the United Kingdom does not associate British commercial prosperity with an unfriendly policy towards other countries ; that she will continue to fight the restrictive system with her system of open ports, knowing well that though other countries benefit thereby, she herself reaps benefits that otherwise she would lose.

CHAPTER XXVIII.

THE POLITICAL AARON'S ROD.

IN these days when the pressure of public life is very severe ; when the British Parliament has constantly to deal with questions of the highest and most absorbing interest, it is impossible to view without alarm the consequences of the reintroduction into British politics of tariff questions.

When once Parliament begins to discuss, to consider in detail, the position, the progress, the prospects, the requests, of each individual section of its trading community it embarks on a task of which there is no seeing the end. Men and influences are brought into the lobbies which ought at all hazards to be kept out. The element of personal gain introduces a feverishness into political life which consumes its strength, time, and usefulness. How often have despotic monarchs rushed their countries into war to stifle a rising demand for reform ; if you cannot get a foreign war, you can get nothing else that will so easily, and for so long, postpone social and political legislation as a tariff fight. These are not idle words, the records of most of the State Parliaments of Australia bear evidence to their truth, as do already the records of the Parliament of the Commonwealth. There is no finality about a restrictive tariff. In 1886 Victoria adopted this policy, its *ad valorem* duties were 10 per cent. (It is remarkable how the restrictionist plays at modesty in the early stages of his career !) Advance after advance was made till the 10 per cent. reached 40 per cent. The last stage was the worst of all. In 1892 a tariff enquiry commission was appointed ; it sat for many weary months ; issued a voluminous report, requiring a small life-time to read, and finally, in 1895, a revised tariff was introduced into the Victorian Parliament. The discussion which ensued occupied nearly 3,000 columns in the Victorian *Hansard*. In New South Wales for about fifteen years the fiscal question was the controlling factor of public life. Oh ! the weariness of that long sustained conflict ! And now the same question is the controlling factor of the public life of the whole Commonwealth. One General Election has been fought on it, another is looming in the near future, and after the first election, the construction of the tariff led to a conflict extending over eleven months in the House of Representatives and the Senate. Like Aaron's rod the tariff swallowed everything that came in its way. But no better illustration of the congestion of public affairs that inevitably accompanies a great tariff fight is needed than that supplied by Germany, the details of which must be much better known in the United Kingdom than they are

in Australia. Heaven forbid that the British Parliament, "the mother of Parliaments," should ever find its time spent, its energies frittered away, its ambitions debased, its prestige destroyed, by interminable controversies about the prices and the production of the food that is eaten, the clothes that are worn, and the things that are used.

CHAPTER XXIX.

A CUSTOMS DUTY—WHEN IS IT PROTECTIVE?

FREE Traders themselves sometimes cause confusion in the fiscal controversy. They at times carelessly assume that if a given commodity stands on a tariff with, say, 50 per cent. Customs duty thereon, that the consumers of that commodity pay 50 per cent. increased cost on all they consume. This is not always *necessarily* so. Whether it is paid or not is governed by certain conditions. The restrictionists, on the other hand, are seldom willing to admit that such a duty costs the public anything.

If the commodity is only obtainable by importation, the duty, the whole of it, must be paid on the entire consumption. That is a simple revenue duty. The people decide what rate the duty shall be; the people pay the amount, and the people, through their public Treasury, spend the money for public purposes.

If the commodity is produced in the country itself in such abundance that a large surplus must be exported, that surplus must be sold at the world's price, and the price obtained for the surplus governs the price of the home consumption of the commodity, consequently the consumer pays nothing for duty, even though a rate be on the tariff. The duty is inoperative, dead.

In neither of these conditions can there be any protection. This—protection—arises when a community is being supplied from within and also from without. Then, by imposing a Customs duty on the imported, and a lower excise duty or none at all on the local production, the local producer is protected and the importer restricted. Presuming the local and the imported article to be identical in quality, or sold by fixed market standards, then, quality for quality, the two articles sell at the same price—that is, the whole of the amount of the duty is added in each case. That on the imported goes to the public Treasury; that on the locally produced to the producer, and the amount that is so received by the latter is his “protection.”

It follows, of course, that a duty may operate protectively in one country, and not in another. Also that it may in the same country operate protectively one year and not in another year. No better commodity than wheat can be taken for an illustration. This stands on the United States' tariff at 25 cents a bushel, or 8s. 4d. a quarter; but no revenue is collected, and no protection is obtained by the producer. As everyone knows the United States have a big wheat surplus, and their duty is consequently inoperative. But put the same

duty on in Great Britain, and wheat will rise 8s. 4d. per quarter whether it be imported or British grown.

When the quality or special characteristics of a commodity which is imported is different from that which is locally produced, the protection to the local producer may be very nominal. Thus, wine is subject to a duty of 6s. a gallon on importation into Australia, but the duty is practically a revenue duty. By making the imported wine very dear, the consumption is reduced, so that the sale of Australian in Australia is increased, and the quantity to be exported is lessened, but it is doubtful if the value of Australian is increased in the least degree. Good Australian wine can be bought for shillings a gallon less than the mere duty payable on imported. The truth is that, practically, imported and Australian wines are almost as much different commodities as articles of metal and of cloth. The distinction may be due entirely to the taste or fancy of the consumer, but it exists. The fact that Australia exports wine, and also imports wine, shows that the two are, practically, different commodities.

In a new country, in skilled industries, it is scarcely to be expected that a manufactured article will approach so near perfection as in an old country. An imported machine costing landed £20, with duty £5, may readily sell at £25, whilst a local maker of a similar but less perfect machine may only be able to sell his at £20. But for the duty the better imported machine could be sold for £20, in which case the inferior local one could not be sold except at a lower price, and the protection the local man enjoys is clearly the difference between this lower price—the real value—and the higher price actually obtained.

In the United Kingdom duties on food products, like wheat, meat, butter, would necessarily be protective, whilst in, say, Canada they would be entirely inoperative. With regard to, say, textile fabrics the position is reversed; in Canada they are protective—except perhaps as regards specialties of manufacture. The line of demarcation between revenue and protective duties is more distinct in regard to natural products than in regard to manufactured articles. Speaking generally food products and raw materials could be protected in the United Kingdom, but not manufactured goods; the position being reversed in regard to these commodities in the Colonies.

It is to be noted that a duty which is naturally inoperative may by combination be made operative. A well-known instance of this being the case of copper in the United States. In that country this article is produced in excess of the consumption, but the mine owners being few in number easily combined, so that they sold their product at the world's price *plus* the duty to the extent of the consumption of the States, and only sold the surplus which they were compelled to export at the world's price.

Wheat in Australia is a striking object-lesson not only of the effect of a duty, but of the difference between value in an importing and exporting country. Australia is naturally a wheat exporting country, wheat generally selling at 9d. to 1s. a bushel—6s. to 8s. a quarter—less in Australia, then in Europe, the duty on the tariff—1s. 6d. a Central—being quite inoperative. Last season, however,

owing to the drought, the harvest was a failure, and wheat had to be imported. The duty suddenly became operative, and instead of freight being a *minus* it became a *plus* quantity. The result was, therefore, that wheat rose about 100 per cent. in value. Instead of selling at its ordinary price of about 3s. a bushel, by the duty becoming operative it rose to about 4s.; it further rose by the amount of the freight previously deducted, and by the amount of the extra freight required to bring it to Australia. For some time wheat sold in Australia at 6s. 3d. per bushel—50s. a quarter—whilst the lowest price under these influences has been 5s. a bushel, 40s. a quarter. With the coming harvest it is expected Australia will resume its position as a wheat exporting country, and that the value will recede again to about 3s. per bushel or 24s. the quarter. The fact of Australia being so remote from Europe, and even from the Pacific coast of America brought out vividly the difference in price between an exporting and an importing country, and when an inoperative duty suddenly became operative the entire result was startling. The facts are not to be gainsaid nor their significance denied.

CHAPTER XXX.

TAXING—SOMEBODY ELSE.

It may be admitted that as the result of successful warfare a conquered people may be forced to pay money—even very large sums—to their conquerors, and that in this way the Treasury of one country may be enriched at the expense of another country. This may be readily admitted. When, however, it is suggested that a country can enrich its Treasury at the expense of other countries by the simple expedient of levying duties on goods bought from them, something more than credulity is pardonable. Nay, so strange are such doctrines that it might well be considered an insult to a public man to say that he supported them, and certainly to take notice of anything of the sort, by way of criticism, seems to demand an apology, because such criticism implies that there are people foolish enough to believe in the possibility of the impossible.

There does, unfortunately, however, seem to be some excuse, if not necessity, for taking up and examining this idea of taxing the people of other countries to save the people of one's own. In Dr. Parkin's "Imperial Federation" * it is said that Sir Charles Tupper "points to the experience of France and Germany, where, after a much higher duty had been imposed on corn, the cost of bread was less than before." Then the following appears as a foot note:—

On this point Lord Dunraven says (*Nineteenth Century*, March, 1891):—"The duty on wheat in France in 1882 was only 2·8d. per cwt.; in 1885 it was raised to 15d. per cwt., or 536 per cent. According to some economists, the price of wheat should have gone up in like proportion, and the masses have had to pay dearer for their bread. But what are the facts? The price of wheat actually fell from an average of 10·08s. per cwt. in 1883, the year following the low duty, to 9·29s. in 1886, the year following the increased duty, or 8 per cent. Instead of the poor man in France having to pay dearer for his bread he paid less in 1886 than in 1883 as the following table shows:—

Bread.	1883		1884		1885		1886
First quality ..	1·57	..	1·49	..	1·39	..	1·39
Second quality	1·35	..	1·26	..	1·17	..	1·22
Third quality ..	1·17	..	1·13	..	1·04	..	1·09

In Germany, too, I find the same results follow from increased duties. Wheat went down from 10·30s. per cwt. in 1882, when the duty was 6d. per cwt., to 9·39s. per cwt. in 1889, or 9 per cent. when the duty was 2s. 6d. per cwt. or 500

per cent. higher, while bread remained at about the same price. Internal development appears in both these cases to have more than compensated for any restriction of foreign imports, and it is only fair to remember that the resources of the British Empire in respect of food supply are immeasurably greater than those of France or Germany."

This is an example of how error is propagated. Lord Dunraven publishes this statement in the *Nineteenth Century*, Sir Charles Tupper uses it in Canada, and Dr. Parkin republishes it in "Imperial Federation." But what is the truth? It is simply that the world's prices for wheat fell in the years named to an extent exceeding the extra duties. This is easily seen by taking the London prices for the respective years, adding the duty and comparing the result. Take the case of Germany:—

				Imported Wheat, per cwt.*	
				1882	1889
				s. d.	s. d.
Cost (Great Britain)	..	..	..	10 8	7 8
German duty	..	..	..	0 6	2 0
Together	..	..	..	11 2	10 2

It is no wonder that bread remained, in Germany, at about the same price; evidently the bakers could not only sell at the same price but could do so with a bigger profit. The big duty prevented the German consumer getting the benefit of the fall in price.

Now for the French case:—

				Imported Wheat, per cwt.	
				1883	1885
				s. d.	s. d.
Cost (Great Britain)	..	..	..	9 10	7 10
French duty	..	..	..	0 2	1 3
Together	..	..	..	10 0	9 1

It will be seen that it was easy for the French baker to reduce the price of his bread and pay the increased duty as well.

Some people will give percentages, even when they are quite useless and are in no way instructive; they should, however, always be correct. The noble lord's percentages of 536 and 500 should be 436 and 400. To make it clear beyond question that the reductions in value were not merely local the following figures are given †:—

		Prices of Wheat, per ton.							
		London.		Paris.		Berlin.		New York.	
		£ s.		£ s.		£ s.		£ s.	
1882	..	10 12	..	10 18	..	10 3	..	8 16	
1883	..	10 1	..	10 6	..	8 16	..	9 1	
1884	..	9 1	..	9 5	..	8 16	..	7 10	
1889	..	6 18	..	9 6	..	9 6	..	6 12	

* Mulhall's "Dictionary of Statistics," page 478.

† Mulhall, page 469.

In Great Britain sugar has afforded a fine opportunity to the politician who believes in taxes that bring in a lot of money which nobody pays. When a tax, equal to 30 per cent. or more, is imposed, and the collectors of revenue hand in a few millions which they report having collected on that commodity, it ought not to be hard to find out who the people are who have paid the money. For a long course of years sugar has been falling in price; it used to be thought very cheap at from 4d. to 6d. per lb.; spite of occasional upward movements, it has gone lower and lower, touching levels of value that at one time it would have been considered absurd to even suggest. With the new century, however, sugar continued its downward course with great vigour. German "First Mark, granulated," a standard sugar, was, in 1900, sold in Hamburg at 12s. 6d. per cwt., free on board, making it quite possible to retail this sugar in England at 1½d. per lb. Who could expect it ever to be any cheaper? Yet in 1902 this same quality of sugar was sold in Hamburg at 7s. 9d. per cwt. It had then become possible to sell really good grocery sugar in England at 1d. per lb.—if something had not happened in the interval. That "something" was a tax imposed in England to raise money towards war expenses. The rate on refined sugar, such as the "First Mark," is 4s. 2d. per cwt. The fall in value was, therefore, balanced by the imposition of the duty; and the imposition of the duty kept the retail price in England at the old figure. The sugar, *plus* the duty, was about the same price as the sugar alone had been. The millions that came into the British Treasury simply represented money that would, but for the tax, have either remained in the pockets of the people or been spent in securing further comforts and necessities. If any politician who knows all the truth about sugar, yet ventures to tell the people that *they* themselves did not pay this money, he must have a low opinion of their sagacity.

It is worth while showing how impossible it is for an importer to escape the payment of an import duty on, say, wheat, if any exists. New York is the principal wheat exporting centre of the world. Any person can find out for himself that though in one week shipments be made to six different countries with six different rates of duty, and also to one country with no duty, that, for the same quality, there would be only one price for the whole seven series of shipments. No buyer in any one of the six countries where a duty existed would dream of spending even the value of a postage stamp to ask the "'cute Yankee" to be good enough to kindly send him the amount of the duty he had paid. If any person with an inquiring mind cared to follow the shipments to the six countries, he would discover that in each of the six the man who had imported the wheat had added the amount of the duty to the price which he paid to the New York seller, just the same as he had also added the freight. So far as Great Britain is concerned, any duties can be traced with singular ease. Any of the great co-operative societies could satisfy a doubtful man in about five minutes.

CHAPTER XXXI.

SUGAR.

THE estimable Mr. Mantilini, in referring to a debt the amount of which had been brought to his notice with great exactitude, and which ended with a halfpenny, genially remarked, "dem the halfpenny." To-day when great questions arise with regard to sugar, the idea seems to be "dem" the sovereign and bless the "halfpenny." Perhaps the disciples of Cocker are dying out. Perhaps one can be a man of light and leading without necessarily being also an arithmetician. But, really, "according to Cocker," forty-two millions *is* a much greater number than a few hundred thousand, and where forty-two million people are interested in sugar as consumers, and only a few hundred thousand are interested in it as producers and refiners, it looks very much like the interest of the golden sovereign on one side, and the bronze halfpenny on the other. "Hold tight to the halfpenny and 'dem' the sovereign" seems to be the policy in vogue just now.

"The simple luxury of the poor" really ought to be as something sacred in the eyes of those placed in authority. What is it that has been happening? It seems that Europe has been for some years taking the money for 10 lb. of sugar, and has actually been giving over-weight; instead of 10 lb. it has been giving 11, 12, sometimes, perhaps, 13 or 14 lb. That did not seem bad business, at least not for Great Britain, but the tail of the British lion having been successfully twisted, the noble animal has been made to declare that in future when he pays for 10 lb. of sugar he defies Europe to give him any more. Europe agrees not to give over-weight, so the British matron when she wants, say, 12 lb. of sugar, must pay for 12, and not, as before, for 10 only, with two free lb. thrown in.

It is strange that Europe should follow the course she has followed, but the main facts are undoubted. Great Britain has been practically getting her sugar for several millions sterling a year under its ordinary price. Probably from the beginning of the system of bounties to the present the people of Great Britain have, in the aggregate, been benefited somewhere between fifty and one hundred millions sterling, or to put it more accurately have been able to consume sugar to this much greater extent without a corresponding payment.

Great Britain prides herself on her manufacturing position; and sugar, beside being an article of consumption, is a raw material: it is used in many important and large labour-employing industries, and there is no doubt but that the number of people employed in such industries exceeds the total employed in producing sugar in the Colonies and in

refining it in the United Kingdom. To all these people cheap sugar has been a great advantage; it has resulted in a marked expansion of manufacturing and of employment. Consequently, to attack one of the main causes of the cheapness of sugar is to attack British manufacturing.

If the people of Great Britain are to be sympathised with in the steps that have been taken to make sugar dearer, much more are the people of India to be sympathised with, especially seeing that India was selected as the first field for experiment. That country is an enormous producer as well as consumer of sugar, and the quantity of beet sugar imported during the past ten years has averaged from about one-half of one per cent. to between three and four per cent. of the total consumption, scarcely enough to get excited about, and certainly not enough to call for a reversal of policy. In this connection it is worth while noticing that whilst, in 1900, India exported, in the aggregate, to the five countries of Germany, France, Austria, Belgium, and Holland, commodities of the value of thirteen millions sterling, her entire imports, sugar included, from these five countries, in the aggregate, did not exceed five millions sterling. This fact makes the "countervailing" movement still more indefensible.

CHAPTER XXXII.

THE UNITED EMPIRE TRADE LEAGUE.

CONSIDERING the gravity of the matters at stake it is a most surprising thing that the promoters of the schemes for a Customs Union, differential duties, etc., should themselves publish statements which show so little knowledge of the real position of British commerce that it can only be concluded they do not understand the subject. The first step of any real importance in this agitation was the Colonial Conference held in 1894 at Ottawa. At that Conference statistics were laid before the delegates giving the imports and exports of most of the Colonies of Great Britain for the years 1882 and 1892. It is unnecessary to reproduce the mass of figures given, the following contained in the last column will be sufficient :—

YEAR 1892.—TOTAL TRADE.

Total for Australasia	£122,227,679
Total for Canada	49,596,461
Total for South Africa	26,526,325
Total for Asiatic and Pacific possessions	209,599,562
Total for West Indian and Atlantic possessions	18,350,075

It is intimated that “the immense trade of the Straits Settlements and of Hong Kong is omitted from this table, as also the trade of Gibraltar, Malta, Cyprus, Aden, Zanzibar, Sierra Leone, the Fiji Islands, the Falkland Islands, and other possessions.” This table is published by the United Empire Trade League, and the following comment, which appears to be that of the League, is added :—

A large portion of this vast trade, exceeding £426,000,000 a year, is with foreign Powers, which by a judicious adjustment of tariffs might be diverted into British Channels.

Let us look first at the figures for Australasia. The table omits the Colony of Western Australia, and, making the requisite addition, the total for Australasia is brought up to 124·8 millions. What is the “large portion” of this which is done with “Foreign Powers”? It amounts to 14·4 millions. Of this total 8·4 represents exports from Australasia to foreign countries (including the United States, which one hardly likes to call a foreign country), leaving only six millions as the aggregate value of the imports of the whole of the Australasian Colonies from all foreign countries, and this six millions includes 2·2

millions from our kinsmen in the United States. The total of 124·8 millions is divided as follows :—

	Million £.
Trade between the Australasian Colonies	49·5
Trade with the British Empire outside Australasia ..	60·9
Trade with foreign countries	14·4

Further particulars can be obtained from “The Seven Colonies of Australasia.”

Take next “the total trade for Asiatic and Pacific possessions, £209,599,562.” India, Ceylon, and Mauritius are included under this heading. The following are the details :—

	Imports. Mill. £.	Exports. Mill. £.	Total trade. Mill. £.
United Kingdom and British Possessions	78·1 ..	64·3 ..	142·4
Foreign countries	14·2 ..	53·0 ..	67·2
Total	92·3	117·3	209·6

When India, Ceylon, and Mauritius between them, out of 92 millions of imports, take about 84·5 per cent. from the other different portions of the Empire, and only 15·5 per cent. from foreign countries, it would seem as if there was no room for anything but gratified surprise. As to the exports, the position is equally pleasing, seeing that foreign countries purchase very largely.

The figures for Canada and South Africa may be taken together. The total trade is given as £76,122,786, but the abstract of the Board of Trade gives 74 millions, which divides as follows: 36·7 millions of imports, of which 20·2 are from the United Kingdom and other parts of the Empire; exports, 37·2 millions, of which 27·4 are to the United Kingdom and other parts of the Empire. The “West Indian and Atlantic Possessions, £18,350,075,” divides as follows: Imports, 8·8 millions, of which 5·5 were from the Empire; exports, 9·5 millions, of which 4·1 were to the Empire.

The whole 426 millions when analysed are found to consist of the following :—

	Imports. Mill. £.	Exports. Mill. £.	Total. Mill. £.
United Kingdom and British Possessions	158·5 ..	141·2 ..	299·7
Foreign countries	39·0 ..	87·9 ..	126·9
Total	197·5	229·1	426·6

Looking at these figures, which include the United States trade with Canada, one may ask: Where is the wonderful trade which “a judicious adjustment of tariffs” could divert into British channels? Is it in the imports? Already over 80 per cent. is from the United Kingdom and British Possessions, and less than 20 per cent. from foreign countries; and part of this 20 per cent. consists of commodities which the British Empire does not produce. Then as to the 87·9 millions of exports to foreign countries, there are millions upon millions which represent

commodities which when imported into the United Kingdom have to be largely re-exported, and no tariff adjustment could possibly draw these; and why should anyone want to draw them when they are not wanted, and when exports to foreign countries are considered so desirable? Then these exports include a fair quantity of manufactures. Probably not less than 12 millions of cotton and jute manufactures, cotton twist and yarn, etc., were exported from India mainly to foreign countries. Fancy trying to "divert" these goods from foreign countries to the United Kingdom. Further, the exports from India included 9.6 millions of opium, the bulk of which went to foreign countries. Certainly, the United Kingdom does not want this narcotic "diverted" from China to her own shores. Item after item might be mentioned showing the absurdity of objecting to these exports from the Colonies to foreign countries. The matter of the 426 millions has been pursued far enough. In 1894 it was the pet "mare's nest" of the United Empire Trade League.

Another statement put forward by the United Empire Trade League at the time of the Ottawa Conference was this: Canada has said, "Put a shilling in the quarter on American wheat and we will supply you with all the grain you want." Since the time when Mrs. Partington attempted to sweep back the Atlantic with her broom there has been no more laughable proposal for doing a big thing by the use of small means. There are eight bushels to the quarter, and consequently 1s. a quarter means just $1\frac{1}{2}$ d. per bushel— $1\frac{1}{2}$ d. per bushel to turn the gigantic wheat import business into a new channel—the idea is simply ludicrous. Some people may be caught—may think Mrs. Partington equal to her task; but those who know anything about the subject know very well that if the *principle* were once accepted, its advocates would raise the $1\frac{1}{2}$ d. to whatever figure they found to be needful to effect their object. When you have your opponent's head in "chancery" you can enforce your demands; until then *talk* about " $1\frac{1}{2}$ d.!" Ten shillings a quarter, or more than 1s. a bushel, is much nearer the working idea of those who seek to restrict one business and enlarge another.

The League continues its interesting career. Its annual report for the year ending March, 1903, appears to be constructed on the principle of affording the maximum scope for hostile criticism. One of the first sentences is to the effect that Australia has accepted the policy of a preferential tariff—a statement for which there is neither ground nor excuse.

CHAPTER XXXIII.

THE USE AND ABUSE OF STATISTICS.

THE proportion of people who are capable of making an intelligent use of statistics is very small, though the number of those who use them in one way or another is legion. The brief memoranda that follow may, therefore, prove helpful to those who are interested in studying the great subject of commercial policy in all its details. It is at all times to be borne in mind that the good resulting from a policy such as that of the United Kingdom cannot be found concentrated in the statistics of the United Kingdom; indeed, in this world there can be no concentration of either good or evil. Every country allows some commerce, and, much or little, it is all for good. The United Kingdom, the freest of all, is therefore doing the most for the good of the world in general as well as for itself specially. This topic is, however, dealt with in another part of this work.

Imports and Exports.—These statistics vary in the method of their compilation in different countries, and some knowledge is required to make accurate comparisons. In the United Kingdom prior to 1858 no record was kept of the imports of either gold or silver, and this practice of ignoring imports still continues with regard to diamonds. Though the imports of gold and silver are recorded, the statistics are generally kept distinct. This is not a good practice; the precious metals are clearly merchandise as well as money, millions of pounds' worth being used annually in the form of luxuries. The British statistics, both import and export, should include gold and silver (diamonds as well), with a separate line at the bottom showing the amount included for gold and silver. In the British Colonies gold and silver are generally included in the ordinary returns; in various Colonies they are largely produced, and they are regularly exported just as wool and wheat are exported. An illustration of the errors that may arise through the practice of omitting gold and silver was given by the Admiralty at the time of the Colonial Conference. "A memorandum on sea-power" was laid before the Conference, and figures were given showing the value of the commerce, British and Colonial, that had to be protected. The British was placed at 877 millions. Ten months later—May, 1903—a correction was published, the proper total being then given as 948 millions.

It was explained that bullion and specie had been omitted. If the officials of the British Admiralty could go wrong, how easy for a private individual to do so. It may be pointed out that silver ore is included

in the ordinary list of British imports, but that the silver, obtained by smelting, finds no corresponding place in the general list of exports.

Import and export returns must not be considered as proofs of the relative well-being of countries. As a rule, the smaller the country the bigger "per head" will the external trade prove to be. If England were separated from the rest of the United Kingdom her imports and exports "per head" would seem much larger, as then her trade with Scotland, Ireland, and Wales would be added. Similarly it will be found that in 1901 the average imports and exports of the Australian Colonies were £37 11s. 9d. "per head," yet treating the six States as the Australian Commonwealth the "per head" return is only £24 4s. 6d. because the inter-state trade is omitted. Then also the matter of classification is important. Under the heading of "manufactures" a much wider range of commodities exists in the United States than in the United Kingdom. Further, increased imports which are generally a sign of prosperity may be the very reverse. Thus, Australia the past year has imported several million pounds' worth of food stuffs as a consequence of a terrible drought. Again, not long since, British exports were lessened for some time by the fact that home trade was so brisk that many foreign orders were refused; thus what might have been considered a sign of less business and poorer times was really a sign of the very reverse. Also, enlarged exports may be a sign that home business is bad, and that consequently commodities are being sacrificed in the larger market of the world. Then the movements of capital and payment of interest have influences on exports and imports which are not to be forgotten. The import and export returns of some countries are affected by their position to other countries; thus, the exports of Switzerland to the United Kingdom do not appear in the import returns of the United Kingdom as from Switzerland, but as from the countries from whose ports they are shipped.

Population.—The emigration returns of the United Kingdom are to-day largely lost in what is mere passenger traffic. Emigration and immigration returns should be shown together, and the balance of movement of the people be made clear. In considering population, the relative proportion of the sexes should not be lost sight of. If to 1,000 males there be (Mulhall, p. 443) in the United Kingdom 1,047 females, and in Australia only 843, then to every 1,000 males in the United Kingdom there are no less than 204 more females than in Australia. How this affects "per head" calculations of earnings, etc., is easily seen.

Young and Old Countries.—The younger a country is the greater must be the hesitation in comparing the conditions with those of old countries.

"Per head" statistics.—These need to be carefully used. A century ago the people of the United Kingdom spent more money individually in buying bread than they do to-day. It might be represented that they could afford it better, and their expenditure be taken as proof of their well-being. A false argument may be based on a truth; a truth misapplied.

"Per cent." statistics.—These may easily be true as calculations, and

yet most false and misleading as arguments. An increase of 1,000 per cent. may after all be a trifle in amount, and an increase of 5 per cent. in another case may be something substantial. The amount as well as the per cent. should always be given if either one without the other is any way misleading.

Quantity and value.—The commerce of the century has increased enormously in value, but the increase in quantity has been greater still. In many directions in recent years a trade judged by the value, which is given, has shown a falling off; when, judged by the quantity, perhaps not given, an increase exists. A fall in the cost of raw materials may mean that both capital and labour have reaped a richer harvest, though the gross return be less.

Savings Banks deposits.—These figures should be avoided, unless they are taken as one element merely of a calculation of wealth. People will take money out when they can do better with it in some enterprise; people will put money in when times are dull. In Australia, in the “nineties,” when the Bank crisis occurred, depositors removed several millions from the ordinary banks and deposited them in the Savings Banks. The amounts that may be deposited, the interest rates, etc., so vary that other elements of obscurity arise.

Statistics as affected by Politics.—Changes in the area, size of a country, naturally affect its statistics. For instance, the German Empire has only been in existence since 1871, and it was not till 1888 that the important ports of Hamburg and Bremen were brought into the Customs Union. German statistics since 1888 are, therefore, swollen by trade previously excluded. At the same time, whilst commerce is thus being increased in the aggregate, it may, by the same cause, be decreased “per head.”

Inflated values.—These should be watched. In a country with a tariff helping many of its industries, the product of those industries is naturally inflated in value as compared with the product of similar industries not inside any ring fence. A sudden increase of the alleged wealth of a community may fairly be looked at suspiciously—a too rapid rise will be followed by a fall.

Statistics are approximate only.—It is wise to remember that in a large proportion the statistics of all countries are approximate only—very good as estimates in most countries, but bad even as estimates in others. Those statistics where the greatest accuracy exists are naturally those of revenue or under the influence of revenue; thus the consumption of articles subject to duty can generally be known to a fraction.

The years selected.—It is often possible by selecting certain years, to obtain results the reverse of those that would be obtained by selecting other years. As a general rule, therefore, the longer the period the better; but at all times care must be taken to point out any special causes of inflation or depression that existed at any given date.

The whole is greater than its part.—This might be accepted as the golden axiom for those who desire to study—to know—the position of the United Kingdom or of any other country. The banker, the merchant, the shopkeeper—anyone, in fact, who desires to know how he

stands—prepares a balance-sheet ; he finds out the “ whole ” position ; he is not content with knowledge of a part of it. Trade in this commodity or in that commodity may fall, show reduced profits, but if the balance-sheet, the sum total of the whole, is on the right side, specially if largely so, the result is considered satisfactory. The simple methods that are applied to an ordinary business establishment should be applied to that aggregation of all businesses and interests—the Nation. If the partners in the Nation—the people—are spending more money, both in the aggregate and individually, than they ever did, and at the same time possess greater stores of wealth than ever before, things are not going down hill.

Relative progress.—Ordinary common-sense methods are required in judging of the relative progress of countries. If two countries, each having great natural resources, have, to the square mile, one of them 500 and the other 20 people, the movement of population will certainly be to the latter rather than to the former country. If the extreme development of which countries are equal be represented by the general number of 100, and four countries be developed respectively equal to 60, 70, 80, 90, it is obvious that the country which is the most backward, the one standing at 60, can relatively progress the most, and yet the advance in no way reflects on the one already at 90 any more than the position of the scholar is to be reflected on because the dunce takes to learning and makes progress therein. A quart measure will hold more than a pint measure. If there be a pint of liquid already in each, then one will be full but the other will have room for more. Judge relative progress by natural laws.

Restrictionist countries.—In looking at the statistics of a country considered to be restrictionist, it should be remembered that there is not one country in the world that is absolutely restrictionist. For instance, Germany and France each have millions of sheep and produce a good deal of wool, yet in each country foreign wool is admitted free. Every restrictionist country leaves a proportion of its industries open to the competition of the world, and, looking at these countries one after another, it will be found that the efforts that are made to keep commodities out vary in degree and in direction—in the rates and in the articles.

CHAPTER XXXIV.

TWO COLONIAL SYSTEMS.

1. Do as you like.
2. Do as you are told.

The first is great Britain's system with her Colonies ; the second is the system of other countries with their Colonies. The freedom which British Colonies enjoy is probably without parallel in the world's history. Not only can Canada, Australia, and South Africa fix each its own taxation, but each has the power to use the system of taxation against the hand that bestowed the power. Each has so used it. But the sense of the trust reposed, of the generosity displayed by the Motherland, has brought to her a rich harvest in the love and faith of her children, and it is entirely reasonable to suppose that they will ultimately take sides with her in upholding the flag of free commerce. It may be remarked, however, that raising a discussion as to the desirability of Great Britain herself hauling down the flag does not tend in that direction.

CHAPTER XXXV.

BRITISH COUNTRIES—OLD AND NEW.

It is quite time that a change was made in the term which is used to designate the relation in which a country like Australia or Canada stands to Great Britain. British statistics are made up: "For the several Colonial and other Possessions of the United Kingdom." From this it will be seen that Australia and Canada are described, not only as "Colonies," but also as "Possessions" of the United Kingdom. In each of these words there is a certain element of denial of political equality. A century ago the position was very different; to-day such terms are clearly outgrown, and the sooner the better they are replaced by something that would be more accurate. "The United Kingdom and other countries of the British Empire" would cover and include every portion of the Empire; possibly "and Possessions" would need to be inserted after "Countries." Perhaps the word "Empire" might be objected to, but there seems no other word so suitable.

CHAPTER XXXVI.

CRUMBS OF CONTROVERSY.

£1,000,000,000.—The taxation schemes, now being recommended to the British Empire, would probably cost the people 30 millions a year. This would be equal to the interest at 3 per cent. of new debts reaching 1,000,000,000 pounds.

Pauperism.—Beware of the *spirit* of pauperism. It eats away the self-reliance of a people. The cost of feeding the poor of a country is nothing compared to the cost of favours to special classes.

Norway.—No country in the world, not even Great Britain, approaches Norway in the extent of her shipping in proportion to population. Norwegian shipping equals about 700,000 tons per million of the $2\frac{1}{2}$ million people, or three times the relative British proportion. The result is seen in the excess of imports. The Norwegian excess is relatively much larger even than that of Great Britain.

“Power of negotiation.”—What opportunities for self-delusion lie in pretty phrases. “Power of negotiation” sounds very nice; but the Slough of Despond to which it leads is very nasty. For any Parliament to have power to attempt the balancing of this against that, one commodity against another commodity, whilst wayward Nature directs the seasons, increasing the supply here, decreasing it there, would surely lead to strange situations and at times to disastrous results. “Power of negotiation” with hornets’ nests and with sleeping dogs may result in many a nasty sting and many an ugly bite.

Drought.—Whilst some people in Great Britain were talking about the Colonies supplying all the food of the Empire, drought destroyed the 1902-3 Australian harvest. Australia herself, instead of shipping wheat, had to import millions of bushels. Between 1891 and the close of 1902 the two States of New South Wales and Queensland, through bad seasons, lost the almost incredible number of 47,000,000 sheep, besides the natural increase. Before fixing up the exact details of the sources of supply for Britain’s food, some arrangement ought to be made with Nature to prevent things of this sort happening again.

Egypt.—Under a system of Penalties and Preferences, it would be interesting to know where Egypt would come in.

Canada.—Lord Strathcona, in a paper on “British America” in the *Empire Series*, said:—“Our greatest needs at the present time are more people and more capital to develop the great resources with which Canada is endowed.” The noble lord was right. It is a pity that he should have since lessened the force of his statement by advocating

preferentialism. People and capital are realities ; preferentialism is a shadow.

India.—A few years ago an import duty of 5 per cent. was imposed in India on imported cottons. Manchester men asked for the imposition of a countervailing Excise on Indian cottons, and the request—a very proper one—was granted. What now ? Is India *in any direction* to be taxed for the benefit of British industry ?

The growth of other countries.—"It has been justly remarked by the Marquis Garnier . . . that no inconsiderable portion of the increased power and wealth of England may be traced to the growing opulence of Russia" (McCulloch, p. 1,387). This was written many years ago. The lesson is obvious, and is as useful in the twentieth century as it was early in the nineteenth.

Landowners in Great Britain.—The people who would gain the most in Great Britain by a return to a policy of restriction of imports, are the landowners. All honour to noblemen who are guided by considerations of the welfare of their country, and who ignore thoughts of personal gain. Noblemen should always be noble men.

INDEX.

- Age*, Melbourne, on free trade, 3
- Aggregation of interests, Great influence of, 6-18
- American Colonies, British treatment of, 53-55
- American industry assisted by British free trade, 125
- Argentine shipping tonnage entered and cleared, 47
- Australia: Battle of commercial policy in, 1, 2; union of the states, 1; formation of first ministry, 1; victory of free traders in House of Representatives, 2; probable date of next election in, 2; effect of talk about preferential trade on, 2; newspapers on Preferential movement in Britain, 3; its free trade press, 4; free traders returned for New South Wales and Western Australia, 4; benefit of aggregation in, 10; effect of rapid increase of expenditure, 11; tariffs in 1855, 17; trade with Great Britain from 1888 to 1891, 25; effect of gold discoveries in, 27; table of British exports and loans to, 29; trade with France and Germany, 39; and shipping trade, 45; imports of British and Irish produce in periods of five years, 81, 82; new debts, 81; population in 1871 and 1901, 84; position of wool trade in, 94; tallow exports from, 96; Preferential possibilities in, 119; imports in 1901, 120; comparison of *ad valorem* duties, 121; wheat and flour imported during drought of 1902, 138; fiscal question controlling factor in, 142; imports and exports per head in 1901, 156
- Australian Chambers of Manufactures, Resolution passed at conference of, 114
- Australian federation convention of 1891, Telegram on records of, 114
- Austria, Tariff in 1841, 12
- Bancroft, American historian, on British treatment of American colonies, 53
- Barton, Sir Edmund, forms first ministry in Australia, 1; and Colonial conference, 103, 104
- Belgium, Tariffs in 1841, 1850, 12; shipping tonnage owned by, 43; shipping entered and cleared, 44, 47
- Birthrate, Importance of, 132
- Black flag of prohibition, 124
- Britain (*see* Great Britain)
- British Colonies, Tariffs in 1855, 17
- British commerce, Growth of, 27; relative extent of, 75-79
- British Empire: View of import and export returns, 38-41; imports and exports of, 40; lack of proper trade returns in, 41; shipping entered and cleared, 44, 46; coasting trade of, 49; probable cost of taxation schemes recommended to, 161
- British exports, 24-37
- British free trade assists American industries, 125
- British open ports and foreign countries, 125
- British shipping, 42, 43; entered and cleared, 44; no direct attack on, 46; compared with other countries, 48
- Caillard, Sir Vincent, on our foreign trade, 24

- Canada, Aggregation of colonies in, 10; tariff in 1855, 17; table of British exports and loans to, 30; in 1850 and 1901, 65; census of 1871, 66; influence of British fiscal policy and capital on, 66; imports and exports for 1868-1870, 66; imports and exports for 1871-1875, 1876-1880, 67; imports and exports for 1881-1885, 68; imports and exports for 1886-1890, 1891-1895, 69; imports and exports for 1896-1900, 1901, 1902, 70; export of cheese, butter, bacon, eggs, and cattle for 1901-2, 71; exports to British Empire and other countries, 72; her dependence on Great Britain, 72; population in 1871 and 1901, 84; course of cheese trade in, 95; Lord Strathcona on needs of, 161; list of British and foreign imports for 1897 and 1901, 108; exaggerated value put upon the tariff preference in, 109-112; her tariff preference, 115-118; imports for consumption, 115, 116; comparison of *ad valorem* duties, 121
- Canadian memorandum, Quotation from, 107
- Cape of Good Hope, Tariff in 1855, 17; table of British exports and loans to, 30
- Capital, Effect of export of, 131
- Carnegie's, Mr. Andrew, "Triumphant Democracy," Quotation from, 7
- Ceylon tea imports into United Kingdom for 1881 and 1902, 96
- Chamberlain, Mr. Joseph, at the Colonial Conference, 45, 49, 105, 106
- Charlton, Mr. John, on preferential trade, 112
- Cheese trade in Canada, Course of, 95
- Chili, Shipping tonnage entered and cleared, 47
- China, Shipping tonnage entered and cleared, 47; tea imports into United Kingdom for 1881 and 1902, 96
- Coasting trade of United Kingdom for 1900-1902, 48
- Cobden *versus* Adam Smith, 139
- Colbert, the restrictionist, 10
- Colmer's, Mr., prize essay on commercial federation, Error in, 57; quotation from, 52, 59
- Colonial conference and shipping trade, 45; of 1902, 103-111; statistics laid before, of 1894, 152
- Colonial products and preferential treatment, 94-102
- Colonial systems, Two, 159
- Colonial trade, Relative value of, 80
- Colonies: Tariffs in 1855, 17; table of British exports and loans to, 29, 30; self-governing, and Great Britain, 52-74; their position as regards preferential tariffs, 102; alarmed at trading with India, 111
- "Coming reaction, The," 4
- Commerce, Four things that have increased volume of, 21; growth of British, 27; relative extent of British, 75-79; and Finance, 86-89; future expansion of, 130
- Conference, Colonial (*see* Colonial conference)
- Conference of Australian Chambers of Manufactures, Resolution passed at, 114
- Consumption in excess of production, Countries in Europe with, 128
- Corn Laws of no advantage to Colonies, 58
- Cotton, Raw, imported into United Kingdom, 1881-1900, 36
- Countries in Europe with consumption in excess of production, 128
- Customs duty, when protective, 144-146
- Customs statistics useless as balance-sheets, 25
- Customs Union, South African, 123
- Definitions of terms used in book, 5
- Denmark, Tariff in 1842, 13; shipping tonnage entered and cleared, 47
- Dunraven's, Lord, error, concerning wheat duty in France in 1882, 147
- East India Company, Preferences granted to, 59
- Education, Advantages of, 132
- Egypt, a crumb of controversy, 161
- Electricity, Effect of, on freedom of trade, 19
- Emigration, Future, 131
- Empire, British (*see* British Empire)
- Europe, Growth of population of, 127; countries with consumption in excess of production,

- 128; net imports of wheat and flour into, 128; future growth of, 129
- Expenditure, General rapid increase in, 11
- Exports and loans to Australia, Table of British, 29
- Exports, British, 24-37; their connection with loans, 27-31; to the United States, 1881-1889, 34; to Japan, 1881-1890, 34; to British possessions and foreign countries, in 1881-1890, 1891-1900, 35; briskness in home trade affects, 37; empire view of, 38-41; variation in compilation of statistics of, 155
- Fielding, Mr., Canadian Minister of Finance, on reduction of Canadian duties, 147
- Finance and commerce, 86-89
- Flour, net imports into Europe, 128
- Food, Large increase in consumption of, 127-132
- Foreign countries and British open ports, 125
- France, Benefit of aggregation in, 10; its trade with Australia, 39; shipping tonnage owned by, 43; shipping entered and cleared, 44, 47; tariffs in 1664, 1836, 1850, 13
- Free Trade, Australian feeling concerning, 1-4; definition of, 5; effect of internal, on United Kingdom, 7
- Freights, Table of fifty-seven years', 20
- Germany, Effect of segregation and aggregation on, 7-10; tariffs in 1842, 1853, 14; its trade with Australia, 39; shipping tonnage owned by, 43; shipping entered and cleared, 44, 47
- Giffen, Sir Robert, on British exports, 24
- Great Britain, Effect of internal free trade on, 7; census of 1901 shows improvement in condition of people, 22; in 1851, 22; less emigration from, 23; exports and imports affected by movements of British capital, 24; four years' trade with Australasia, 25; imports and exports of, 40; shipping tonnage owned by, 43; shipping entered and cleared, 44; no direct attack on shipping of, 46; shipping tonnage compared with other countries, 48; coasting trade for 1900-1902, 48; re-exports in, 50; and the self-governing colonies, 52-74; fall in value of land in, 74; its commerce compared with other countries, 75-79; present corn trade and that of fifty years ago, 130; large increase in food consumption, 131; its exports and imports compared with those of United States, 134; beneficial results of sugar bounties on, 150; its landowners greatest gainers under restrictive tariffs, 162
- Guyot, M. Yves, on protection producing persecution, 102
- Hanseatic League, 8
- Hatheway, Mr. W. F., on attitude of British statesmen towards Canada, 113
- Hides and skins exports from India, 96
- High Tariff, Objectionable term, 5
- Holland, Tariffs in 1843, 1854, 14; shipping tonnage entered and cleared, 47
- Hong-kong, Trade with, 41
- Hudson's Bay Company, Preferences granted to, 59
- "Imperial Federation," Exposure of error in, 148
- Imports, Empire view of, 38-41; variation in compilation of statistics of, 155
- India, and Crown Colonies, Table of British exports and loans to, 30; exports of 1900, 38; hides and skins exports from, 96; tea exports to United Kingdom for 1881 and 1902, 96; necessity of retaining her freedom to trade, 111; dearer sugar inflicts injury on, 151; is she to be taxed for benefit of British industry? 162
- Inflated values, Necessity to watch, 157
- Investments, their connection with exports, 27-31
- Ireland, Early eighteenth century commercial code of, 55
- Italy, Aggregation in, 10; tariffs in middle of last century, 14; shipping tonnage entered and cleared, 47

- James I.'s statute against monopolies, 7
- Japan, British exports to, 1881-1890, 34; shipping tonnage entered and cleared, 47
- Jingoism, Tariff, 140
- Kingston, Mr., Minister for Australian trade and customs, on a self-contained Australia, 104
- Land, Fall in value in British, 74
- Landowners, British, greatest gainers under restrictive tariffs, 162
- Laurier, Sir Wilfrid, on Canadian wheat trade, 100
- Loans and their connection with exports, 27-31
- Low, A. Maurice, on preferential tariffs, 101
- Lowles's, Mr., visit to Sydney, 2
- Low Tariff an objectionable term, 5
- Lumber trade before era of free trade, 57
- Lyne, Sir William, on preferential trade, 114
- Macgregor's "Commercial Tariffs," Quotations from, 9, 12, 13, 14, 15, 16, 19, 54
- McCulloch's "Dictionary of Commerce," Quotations from, 7, 9, 54, 57
- Meat, Importation prohibited from 1823 to 1842, 59
- Melbourne *Age* on free trade, 3, 4
- Mexico, shipping tonnage entered and cleared, 47
- Mills's, Mr. J. Saxon, vital figures, 137
- Monopolies, Statute of James I. against, 7
- Mullhall quoted, 20, 75, 128, 148
- Natal, Tariff in 1855, 17
- Navigation laws, Mr. Chamberlain on repeal of, 49
- New Brunswick, Tariff in 1855, 17
- Newdegate's "Tariffs," Quotations from, 12, 14, 16, 17
- Newfoundland, Tariff in 1855, 17
- New South Wales: its policy of freedom of trade, 1, 4; tariff in 1855, 17; table of exports and loans to, 29; exports of wool of 1881 compared with 1901, 39; imports of British and Irish apparel, 82; value of British and foreign imports into, 137; fiscal question in, 142
- New Zealand, Effect of rapid increase of expenditure in, 11; its tariff in 1855, 17; table of British exports and loans to, 30; in the 'sixties and 'eighties, 60; imports and exports from 1881 to 1901, 61; exports of frozen meat from 1881 to 1901, 62; exports of butter, cheese, etc., from 1881 to 1901, 63; hands employed in manufactories and works in 1886, 1891, 1896, and 1901, 64; imports for five years, 65; effect of fiscal policy of Great Britain on, 65; imports per inhabitant for 1858-1900, 81; population in 1871 and 1901, 84; preferential possibilities in, 119; imports in 1901, 120; comparison of *ad valorem* duties, 121
- Norway, Tariffs in 1843, 1854, 16; shipping tonnage entered and cleared, 47; shipping of, 161
- Nova Scotia Tariff in 1855, 17
- Onslow, Earl of, and freights to South Africa, 46
- P. and O. Company, Increase in receipts of, 43
- Parkin, Dr., on Great Britain and self-governing colonies, 47; exposure of error in his "Imperial Federation," 147, 148
- Paupers of 1851 and 1901, 22
- Penalised trade better term than preferential trade, 5
- "Per head" statistics, Use and abuse of, 156
- Population of Europe, Growth of, 127; how returns should be shown, 156
- Portugal, Tariff in middle of last century, 16; shipping tonnage entered and cleared, 47
- "Power of Negotiation" delusive phrase, 161
- Preferential tariffs, Discords in, 90-93; mean less consumption, 73; Canadians' exaggerated value of, 109, 112; Canada's, 115-118; possibilities of, in Australia and New Zealand, 119-122; South African, 123
- Preferential trade misleading term, 5

- Preferential treatment and colonial products, 94-102
 Prince Edward Island, Tariff in 1855, 17
 Prohibition, Black flag of, 124
 Protection, misleading term, 5; natural and man-made, 20; produces mania of persecution, 102; and customs duty, 144-146
 Protectionist Association of Victoria, Resolution passed by, 114

 Queensland, Table of British exports and loans to, 29

 Railways, Table of fifty-seven years' tonnage borne by, 20
 Re-exports in Great Britain, 50; in 1902, 97
 Reid, Right Hon. G. H., and free trade leadership, 2
 Restriction better term than protection, 5 (*see* Protection)
 Ross, Hon. Geo. W., on Canadian trade with Great Britain, 52
 Russia, Tariffs in 1843, 14; tariffs in 1851, 15; shipping tonnage entered and cleared, 47

 Savings Bank deposits, deceptive figures of, 157
 Schooling, Mr. J. Holt, on British exports, 33, 34, 36
 Science, Effect of, on freedom of trade, 19
 Seddon, Mr., on failure of Britain to execute orders, 37; on reduction of colonial tariffs, 106, 107; his memorandum on imports, 110
 Segregation a death principle, 6
 Self-governing colonies and Great Britain, 52-74
 "Seven Colonies," Extract from, 89
 Shipping, Table of fifty-seven years' tonnage borne by, 20; British, 42; owned by foreign countries, 43; entered and cleared, 44, 46; tonnage and clearance in foreign countries, 47; British compared with foreign, 48; British, developed by corn trade with far-off countries, 130; of Norway, 161
 Smith, Adam, *versus* Cobden, 139
 South African preferential tariff, 123; Earl of Onslow on high freights to, 46
 South Australia, Table of British exports and loans to, 29

 Spain, Tariff in 1841, 16; shipping tonnage entered and cleared, 47
 "Statistical Abstract," Shipping figures taken from, 43, 47
 Statistics, Use and abuse of, 155-158
 Steam, Effect of, on freedom of trade, 19
 Strathcona, Lord, on needs of Canada, 161
 Sugar: its industry before era of free trade, 56; effect of taxation on prices of, 149; Great Britain's savings under bounty system, 150; injury inflicted on India by dearer, 151
 Sweden, Tariffs in 1844, 15; tariffs in 1842, 1854, 16; shipping tonnage entered and cleared, 47
 Sydney, Mr. Lowles's visit to, 2

 Tallow imports and exports, 96
 Tariffs, of Austria in 1841, 12; of Belgium in 1841, 1850, 12; of Denmark in 1842, 13; of France in 1664, 1836, 1850, 13; of Germany in 1842, 1853, 14; of Holland in 1843, 1854, 14; of Italy in middle of last century, 14; of Russia in 1843, 1851, 14, 15; of Sweden in 1844, 1854, 15, 16; of Norway in 1843, 1854, 16; of Spain in 1841, 16; of Portugal in middle of last century, 17; of United States in middle of last century, 17; of British colonies in 1855, 17; discords in preferential, 90-93; jingoism, 140; no finality about restrictive, 142; who pays for, 147-149; landowners' greatest gainers under, 162
 Tasmania, Table of British exports and loans to, 29
 Taxation, Effect of, upon a community, 99; enemy of accumulation, 131; who pays for, 147-149; probable cost of schemes recommended to British Empire, 161
 Tea imports for 1881 and 1902, 96
 Timber industry before era of free trade, 57
 Tin imports and exports, 97
 Turner, Sir George, on probable result of Australian tariff, 104; on manufacture and consumption of Australian goods, 105

 United Empire Trade League, 152-154

- United Kingdom, population in 1871 and 1901, 84; imports of meat, wheat, and flour for 1902, 92 (*see also* Great Britain)
- United States, Effect of aggregation on, 7; tariff in middle of last century, 17; shipping tonnage owned by, 43; shipping entered and cleared, 44, 47; British reluctance to wound feelings of, 133; its exports and imports compared with those of Great Britain, 134; future export trade of, 135; largest net exporters, 136
- Uruguay, Shipping tonnage entered and cleared, 47
- Victoria, Stronghold of restrictive tariff, 1; tariff in 1855, 17; growth during the 'fifties, 29; table of exports and loans to, 29; wool exports of 1901 compared with 1881, 39; financial crash of 1893, 73; develops dairying industry, 73; produce bought by Great Britain, 73; imports per inhabitant for 1850-1900, 80; table of imports of British and Irish apparel, 82; resolution passed by its protectionist association, 114; growth of *ad valorem* duties in, 142
- Vincent's, Sir Howard, tariff jingoism, 140
- Wealth and commerce, British, 22
- West India Islands before era of free trade, 56
- Western Australia, Free-traders predominant in, 4; tariff in 1855, 17; table of exports and loans to, 29; imports per inhabitant for 1880-1900, 81
- Wheat, cleared for consumption in 1831-1844, 58; probable result of a preferential duty on, 100; increase in the empire's growth of, 101; net imports into Europe, 128
- Wool, Exports of New South Wales of 1901 compared with 1881, 39; exports of Victoria of 1901 compared with 1881, 39; trade in Australia, 94
- World's commerce, 75-79
- Zollverein, German, Benefits derived from, 9

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